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#### TARGET and/or RATING CHANGES

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## SUMMARIES

### TARGET and/or RATING CHANGES

#### SAVARIA CORPORATION: Q2/20 Preliminary Results: Profitability Ahead of Expectations

[Full Story](#)

SIS (TSX) C\$12.36  
 Target: C\$14.50  
 (Was C\$13.50)  
 Stock Rating: **Outperform**  
 (Unchanged)  
 Est. Total Return: 21.0%

Event: Preliminary Q2 Results, Target Raise

##### Key Takeaways:

Savaria's preliminary Q2/20 results indicate a ~10.1% y/y contraction of revenues to ~\$84.5 million (NBF: \$83.7 million vs. Street: \$80.6 million), as the contribution from Silvalea and favourable FX partially offset a y/y organic decline we estimate to be ~14%. Preliminary adj. EBITDA was meaningfully stronger than expected at ~\$14.5 million on robust ~17.2% margins, well above our call for \$10.6 million (12.6%) and consensus of \$10.2 million (12.7%). Of this, we estimate no more than \$1-2 million (~120-240 bps) can be attributed to government grants, implying at most 50 bps of margin erosion and potentially margin expansion despite the lower top line, a demonstration of cost containment efforts.

We move our target to \$14.50 on 11.5x 2021e EV/EBITDA (was 10.5x) as we become increasingly comfortable with the company's resilience in the downturn and reiterate our Outperform rating.

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### INTRADAYS INCLUDED: (Released July 15, 2020)

#### THERATECHNOLOGIES INC.: An In-Line Quarter

[Full Story](#)

TH (TSX) C\$3.02  
 Target: C\$4.00  
 (Unchanged)  
 Stock Rating: **Sector Perform**  
 (Unchanged)  
 Est. Total Return: 32.5%

##### Event:

Theratechnologies reported Q2/f20 financial results.

##### Key Takeaways:

TH reported Q2/f20 revs of US\$17.2 mln (vs. US\$16.0 mln est. and US\$15.6 mln in Q2/f19), EBITDA of -US\$1.5 mln (vs. -US\$0.3 mln est. and US\$0.5 mln in Q2/f19) and EPS of -US\$0.08 (vs. -US\$0.04 est. and -US\$0.04 in Q2/f19). After adj. for an est. US\$1.1 mln severance, EBITDA/EPS would have been -US\$0.5 mln/-US\$0.06. While remaining positive on TH's EGRIFTA HIV NASH opportunity (development details in a couple of months and aims to start a Phase 3 trial around 2020YE), we refrain from including it in our forecasts until we have more visibility on clinical development details. We maintain a Sector Perform rating and \$4.00 target.

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#### TMX GROUP: Modest Tweaks Ahead of Q2 2020 Earnings

[Full Story](#)

X (TSX) C\$136.34  
 Target: C\$150.00  
 (Unchanged)  
 Stock Rating: **Outperform**  
 (Unchanged)  
 Est. Total Return: 12.0%

##### Event:

Q2 2020 Preview

##### Key Takeaways:

Our revised core EPS forecast of \$1.54 in Q2 (was \$1.56) reflects in-line capital markets activities and strong equity trading volumes offset by weaker than expected derivative volumes. We continue to believe that TMX's defensiveness, strategic execution and financial outlook (e.g. sustainable mid-single digit revenue growth and EBITDA margin expansion) support our OP thesis. TMX is trading at a near-peak of ~22x P/E (consensus NTM), above Atlantic Exchange peers at ~21x and in line with Derivative Exchange peers at ~22x.

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## Savaria Corporation

### Q2/20 Preliminary Results: Profitability Ahead of Expectations

<b>SIS (TSX)</b> <b>C\$12.36</b>	STOCK RATING <b>Outperform</b> (Unchanged)	TARGET <b>C\$14.50</b> (Was C\$13.50)	EST. TOTAL RETURN <b>21.0%</b>
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### Q2/20 beat on cost containment; grants gravy

Savaria's preliminary Q2/20 results indicate a ~10.1% y/y contraction of revenues to ~\$84.5 million (NBF: \$83.7 million vs. Street: \$80.6 million), as the contribution from Silvalea and favourable FX partially offset a y/y organic decline we estimate to be ~14%. Preliminary adj. EBITDA was meaningfully stronger than expected at ~\$14.5 million on robust ~17.2% margins, well above our call for \$10.6 million (12.6%) and consensus of \$10.2 million (12.7%). Of this, we estimate no more than \$1-2 million (~120-240 bps) can be attributed to government grants, implying at most 50 bps of margin erosion and potentially margin expansion despite the lower top line, a demonstration of cost containment efforts.

### Construction's rebound likely supporting Accessibility

As outlined in our [recent note](#), construction activity has been trending positively since bottoming in April in residential markets, and commercial spending appears to be up y/y in Q2. New home construction is a significant driver for Savaria's flagship elevator product lines, supporting sales in the Accessibility segment. When we hosted Savaria at our 10th Annual Québec Conference in mid-June ([see our Industry Note](#)), management noted that ~95% of the company's dealers were back to work, up from ~75% in May, and we expect the dealer network is now fully operational.

### LTC developments a positive for Patient Handling

We believe the number of long-term care homes currently dealing with COVID-19 outbreaks is gradually diminishing, while investment is set to accelerate ([see our colleague's Flashes here and here](#)). We believe LTCs will drive demand for beds and ceiling lift systems, as efforts are made to minimize contact between staff and residents. We do not expect a significant contribution in the immediate term on this front, but in Q2, we believe Patient Handling's results were positively impacted by the spike in demand for beds and mattresses as hospitals and temporary COVID-19 overflow facilities scrambled to increase capacity, though this tailwind likely waned throughout the quarter.

### Target to \$14.50 (was \$13.50), Outperform

We move our target to \$14.50 on 11.5x 2021e EV/EBITDA (was 10.5x) as we become increasingly comfortable with the company's resilience in the downturn and reiterate our Outperform rating.

### STOCK DATA

52-Week High and Low (\$)	C\$7.31-C\$14.92
Dividend per Share (\$)	0.46
Dividend Yield (%)	3.7
Shares Outstanding (Mln)	50.9
Shares Outstanding - FD (Mln)	50.9
Market Capitalization (\$Mln)	629.6
Enterprise Value (\$Mln)	659.7

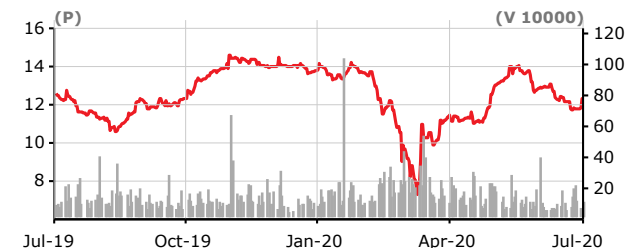
### NBCFM ESTIMATES & VALUATION

Fiscal Y/E December	2019A	2020E	2021E
Revenue (\$Mln)	374.3	375.2	406.4
Adj. EBITDA (\$Mln)	55.8	58.9	67.1
Adj. EBITDA Margin (%)	0.1	0.2	0.2
Adj. EPS (\$)	0.53	0.49	0.66
Free Cash Flow (\$Mln)	24.4	35.7	44.6
Net Debt / EBITDA (x)	0.7	0.5	0.2
P/E (x)	23.4	25.1	18.8
EV/EBITDA (x)	12.0	11.2	9.6

All figures in C\$ unless otherwise noted

Source: Refinitiv, Company reports, NBF

### STOCK PERFORMANCE (Source: FactSet)



### COMPANY PROFILE

Savaria is a North American leader in the accessibility industry addressing mobility, comfort and independence, and does business in three segments: Accessibility (stairlifts, elevators, wheelchair lifts, etc.), Patient Handling (medical products and surfaces) and Adapted Vehicles (van conversions). The company has facilities in Quebec, Ontario, British Columbia, South Carolina, China and Italy.

## Q2/20 Preliminary Results

**Figure 1: Preliminary Q2/20 Review**

(Cdn\$, mln)	Q2/20e	NBF Est.	Δ%	Consensus	Q2/19	Δ% y/y
Accessibility		\$56.7			\$67.1	
Patient Handling		\$22.1			\$21.2	
Adapted Vehicles		\$4.9			\$5.7	
<b>Total Revenue</b>	<b>\$84.5</b>	<b>\$83.7</b>	1.0%	<b>\$80.6</b>	<b>\$94.0</b>	-10.1%
Accessibility		\$7.9			\$11.3	
<i>Margin</i>		14.0%			16.9%	
Patient Handling		\$3.3			\$3.2	
<i>Margin</i>		14.9%			15.0%	
Adapted Vehicles		-\$0.0			\$0.3	
<i>Margin</i>		-0.6%			5.2%	
Corporate		-\$0.6			-\$0.4	
<b>Adj. EBITDA</b>	<b>\$14.5</b>	<b>\$10.6</b>	36.8%	<b>\$10.2</b>	<b>\$14.4</b>	1.0%
<i>Margin</i>	17.2%	12.7%		12.7%	15.3%	
<b>Adj. EPS (fd)</b>	<b>-</b>	<b>\$0.08</b>		<b>\$0.07</b>	<b>\$0.13</b>	

Source: Company reports, Bloomberg, NBF

## Revised estimates

We make minor adjustments to our estimates to reflect preliminary Q2 results, slight margin improvement through cost containment and variations in FX. We look forward to management's commentary on segment performance and outlook for the rest of the year with Q2 results on August 12. We believe the meaningful profitability beat was driven in part by government grants, but also better cost containment than expected.

We take interest in Ontario's new \$1.75 billion in funding for LTC redevelopment, aiming to develop 8,000 new beds and redevelop an additional 12,000, which will likely drive a surge in investment in Patient Handling's end markets. We do not currently model an organic growth lift associated with the province's plan, but expect Savaria will benefit to some degree.

**Figure 2: Revised Estimates**

(Cdn\$, mln)	2020e		2021e	
	New	Old	New	Old
Revenue	<b>\$375.2</b>	\$378.2	<b>\$406.4</b>	\$410.8
Adj. EBITDA	<b>\$58.9</b>	\$55.6	<b>\$67.1</b>	\$66.1
Margin	<b>15.7%</b>	14.7%	<b>16.5%</b>	16.1%
EPS (fd)	<b>\$0.49</b>	\$0.49	<b>\$0.66</b>	\$0.64

Source: NBF

**Figure 3: Summary Forecast**

(Cdn\$, mln)	F2017	F2018	F2019	Q1/20	Q2/20e	Q3/20e	Q4/20e	F2020e	F2021e
Accessibility	\$110.1	\$169.0	\$265.7	\$62.6	\$59.9	\$73.3	\$72.1	\$267.8	\$293.0
Patient Handling	\$46.4	\$89.8	\$86.9	\$21.0	\$20.3	\$23.6	\$24.8	\$89.6	\$94.0
Adapted Vehicles	\$27.4	\$27.7	\$21.8	\$4.8	\$4.0	\$4.6	\$4.2	\$17.7	\$19.5
<b>Total Revenue</b>	<b>\$180.8</b>	<b>\$286.0</b>	<b>\$374.3</b>	<b>\$88.4</b>	<b>\$84.1</b>	<b>\$101.5</b>	<b>\$101.1</b>	<b>\$375.2</b>	<b>\$406.4</b>
Accessibility	\$23.1	\$30.3	\$44.3	\$10.4	\$11.9	\$13.0	\$12.9	\$48.2	\$55.3
Patient Handling	\$6.4	\$9.1	\$12.1	\$2.5	\$3.0	\$3.6	\$3.7	\$12.9	\$13.8
Adapted Vehicles	\$2.7	\$2.1	\$0.9	-\$0.0	\$0.2	-\$0.0	-\$0.0	\$0.1	\$0.3
<b>Adj. EBITDA</b>	<b>\$31.4</b>	<b>\$40.4</b>	<b>\$55.8</b>	<b>\$12.4</b>	<b>\$14.5</b>	<b>\$16.0</b>	<b>\$16.0</b>	<b>\$58.9</b>	<b>\$67.1</b>
Accessibility	21.0%	17.9%	16.7%	16.5%	19.9%	17.8%	17.9%	18.0%	18.9%
Patient Handling	13.8%	10.1%	14.0%	11.9%	14.9%	15.4%	15.1%	14.4%	14.7%
Adapted Vehicles	9.8%	7.8%	4.0%	-0.6%	4.0%	-0.6%	-0.6%	0.4%	1.7%
<b>Adj. EBITDA Margin</b>	<b>17.4%</b>	<b>14.1%</b>	<b>14.9%</b>	<b>14.0%</b>	<b>17.2%</b>	<b>15.8%</b>	<b>15.8%</b>	<b>15.7%</b>	<b>16.5%</b>
<b>Adj. EPS (fd)</b>	<b>\$0.48</b>	<b>\$0.40</b>	<b>\$0.53</b>	<b>\$0.14</b>	<b>\$0.08</b>	<b>\$0.15</b>	<b>\$0.15</b>	<b>\$0.49</b>	<b>\$0.66</b>

Source: Company reports, NBF

## Comps

**Figure 4: Health Care Supplies Comps**

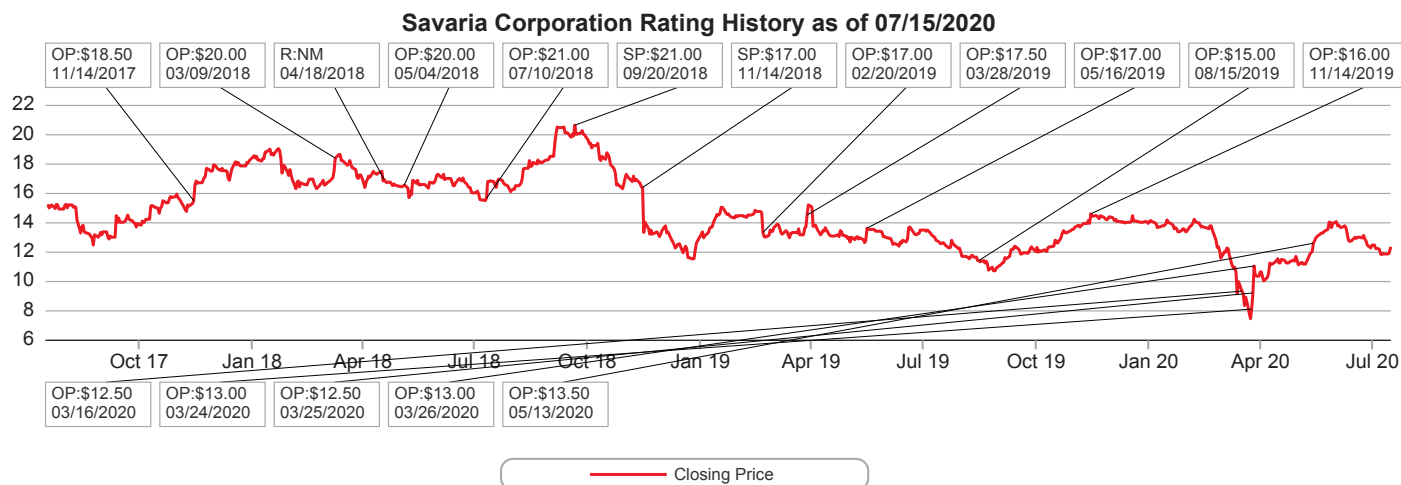
	Share Price	Mkt Cap (mln)	Div Yield	Net debt/ EBITDA	EBITDA margin		EV/EBITDA	
					FY1	FY2	FY1	FY2
Handicare Group AB	SEK\$27.90	SEK\$1,644.40	3.6%	4.0x	7.3%	12.9%	15.0x	8.0x
Arjo AB (publ)	SEK\$51.15	SEK\$12,999.89	1.3%	1.3x	19.8%	20.9%	8.3x	7.5x
Hill-Rom Holdings Inc	US\$111.86	US\$7,275	0.8%	3.2x	20.7%	21.8%	14.9x	13.7x
Invacare Corp	US\$7.14	US\$229	0.0%	-	3.3%	6.3%	13.6x	6.7x
Stryker Corp	US\$188.62	US\$68,585	1.3%	1.6x	24.4%	28.5%	22.5x	16.6x
<b>Average</b>			1.4%	2.5x	15.1%	18.1%	14.9x	10.5x
<b>Savaria (NBF est.)</b>	<b>\$12.36</b>	<b>\$630</b>	<b>3.7%</b>	<b>0.4x</b>	<b>15.7%</b>	<b>16.5%</b>	<b>11.2x</b>	<b>9.6x</b>

Source: Company reports, Refinitiv, NBF



**Disclosures**

PRICE, RATING AND TARGET HISTORY: OP = Outperform, SP = Sector Perform, UP = Underperform, UR = Under Review, R = Restricted; (Source: Factset, NBF)



**RISKS:**

**Concentration risk:** SIS is highly dependent on key distributors as well as large customers, representing concentration risk.

**Product risk:** Warranties and product-related liabilities are inherent risks of the majority of Savaria's product lines.

**Execution risk:** Acquisitions are an important part of Savaria's strategy and therefore potential failure to complete transactions or difficulties in the integration are inherent risks.

**ADDITIONAL COMPANY RELATED DISCLOSURES**

Savaria Corporation 2, 3, 5, 6, 7

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- 15 A redacted draft version of this report has been shown to the issuer for fact checking purposes and changes may have been made to the report before publication.

RATING DISTRIBUTION			
	Outperform	Sector Perform	Underperform
Coverage Universe Ratings Distribution	55%	42%	2%
Investment Banking Distribution	77%	65%	71%



## Theratechnologies Inc.

### An In-Line Quarter

TH (TSX)  
C\$3.02

STOCK RATING  
**Sector Perform**  
(Unchanged)

TARGET  
**C\$4.00**  
(Unchanged)

EST. TOTAL RETURN  
**32.5%**

### Q2 f2020 Review

#### Results largely in line after adjustment

TH reported Q2/f20 revs of US\$17.2 mln (vs. US\$16.0 mln est. and US\$15.6 mln in Q2/f19), EBITDA of -US\$1.5 mln (vs. -US\$0.3 mln est. and US\$0.5 mln in Q2/f19) and EPS of -US\$0.08 (vs. -US\$0.04 est. and -US\$0.04 in Q2/f19). After adj. for an est. US\$1.1 mln severance, EBITDA/EPs would have been -US\$0.5 mln/-US\$0.06. Street was looking for revs of US\$17.4 mln, EBITDA of -US\$0.6 mln & EPS of -US\$0.05.

#### Trogarzo sales up; EU launch by 2020YE

Revs of US\$7.9 mln (vs. US\$7.1 mln est., US\$7.0 mln in Q2/f19, US\$7.2 mln in Q1/f20), positively, increased y/y and q/q despite pandemic and our expectation of a slight q/q decline. While lockdowns have limited in-person meetings, TH plans to increase virtual reach-outs targeting providers and patients. Although these actions should help H2/f20 sales, we see slower sequential growth, if at all, given U.S. pandemic shift from NY to CA, FL, and TX, all important markets. In Europe, TH believes reimbursement will be significant and anticipates launching in Germany/Norway by 2020YE with other countries in early 2021.

#### EGRIFTA also up; shifts to new formulation in August

Revs of US\$9.3 mln (vs. US\$8.9 were est., US\$8.6 mln in Q2/f19 & US\$8.5 mln in Q1/f20) were above our est. The SV formulation switch is nearly complete and will be the only one actively promoted in the U.S.; given its handling ease, it should contribute positively to sales. Additionally, TH will announce HIV NAFLD/NASH development details in a couple of months and aims to start a Phase 3 trial around 2020YE.

#### Other updates

Incl. 1) R&D will be elevated in f2021 due to pipeline (oncology asset development in addition to EGRIFTA) but no guidance yet; 2) BLA for the F8 EGRIFTA formulation to be filed in early 2022; & 3) SORT1 oncology assets to file for IND by 2020YE.

#### Maintain Sector Perform rating and \$4.00 target

#### STOCK DATA

52-Week High and Low (\$)	C\$6.18-C\$1.93
Shares Outstanding (Mln)	77.0
Market Capitalization (\$Mln)	232.6
Enterprise Value (\$Mln)	258.7

Stock data in C\$

#### NBCFM ESTIMATES & VALUATION

Fiscal Y/E November	2019A	2020E	2021E
Revenue (\$Mln)	63.4	69.8	88.7
Adj. EBITDA (\$Mln)	6.6	1.6	13.0
EPS (\$)	(0.06)	(0.07)	0.00
CFS (\$)	0.02	(0.08)	0.11
EV/Sales (x)	3.1	2.7	2.2
EV/EBITDA (x)	29.7	114.3	14.8
P/E (x)	NA	NA	NA
P/CF (x)	NA	NA	20.9
Total Cash (\$Mln) <sup>1</sup>		31.6	
Total Debt (\$Mln) <sup>2</sup>		51.6	

All figures in US\$ unless otherwise noted

Source: Company Reports, Refinitiv, FactSet, NBF

1. As of QE Q2/f20

2. As of QE Q2/f20

#### STOCK PERFORMANCE (Source: FactSet)



#### COMPANY PROFILE

Theratechnologies is a specialty pharmaceutical company with an exclusive agreement to market and distribute FDA- approved Trogarzo™ (Ibalizumab), an orphan-designated HIV entry inhibitor, in United States, Canada, EU, Israel, Norway, Russia and Switzerland. Additionally, the company's second product, EGRIFTA® (human growth hormone releasing factor), is the only product approved by FDA, Health Canada and Mexican health authorities for the reduction of excess abdominal fat in HIV-infected patients with lipodystrophy.

## Maintain Sector Perform rating and \$4.00 Target

There are only small changes to our f2021e forecast and we maintain a Sector Perform rating and \$4.00 target calculated via a sum-of-parts approach (Cdn\$2.25 for Trogarzo and Cdn\$1.75 for EGRIFTA). While remaining positive on TH's EGRIFTA HIV NASH opportunity, we refrain from including it in our forecasts until we have more visibility on clinical development details.

**Figure 1: Quarterly Results and f2020 / f2021 Forecast**

	Results			Forecast					
	Q2/f20a	NBF(e)	%Δ	f2020e			f2021e		
				Previous	Current	%Δ	Previous	Current	%Δ
<b>Revenue (US\$ mln)</b>	<b>\$17.2</b>	\$16.0	8%	\$67.4	<b>\$69.8</b>	4%	\$84.7	<b>\$88.7</b>	5%
Trogarzo	\$7.9	\$7.1	11%	\$31.1	\$32.5	4%	\$44.7	\$48.6	9%
EGRIFTA	\$9.3	\$8.9	4%	\$36.2	\$37.4	3%	\$40.1	\$40.1	0%
<b>EBITDA (US\$ mln)*</b>	<b>-\$0.5</b>	-\$0.3		\$2.7	<b>\$1.6</b>	-39%	\$12.6	<b>\$13.0</b>	3%
<b>EPS (US\$)*</b>	<b>-\$0.06</b>	-\$0.04		-\$0.05	<b>-\$0.07</b>		\$0.00	<b>\$0.00</b>	

Note: (\*) Q2/f20 Results after adjusting for an estimated US\$1.1 mln severance charge  
Source: Company Reports, NBF

## Investment Summary

### Trogarzo™ (Ibalizumab)

Following fQ2 results, our Trogarzo forecasts remain largely unchanged and we estimate a value of ~Cdn\$2.25 (~US\$1.60) per share using a 50%/50% blend of DCF valuation (10%/12.5% discount for North American / European markets and no terminal value) and multiples to f2024 forecasts (EV/Sales of 2.5x and P/CF of 9x).

**Figure 2: Trogarzo (Ibalizumab) Forecast**

	f2020e	f2021e	f2022e	f2023e	f2024e	f2025e	f2026e	f2027e	f2028e	f2029e	f2030e
<b>U.S. Forecast</b>											
<b>Trogarzo (Ibalizumab) revenues</b>											
Overall (US\$ mln)	\$32.0	\$41.7	\$49.6	\$82.6	\$82.6	\$74.3	\$74.3	\$66.1	\$66.1	\$57.8	\$57.8
TH revenue (US\$ mln)	\$15.4	\$18.0	\$23.8	\$39.6	\$39.6	\$35.7	\$35.7	\$31.7	\$31.7	\$27.8	\$27.8
<b>Trogarzo Cash Flows After Tax</b>											
Undiscounted (US\$ mln)	\$0.4	\$7.2	\$8.9	\$19.3	\$20.8	\$20.1	\$18.7	\$15.5	\$14.3	\$11.4	\$10.4
Discounted at 10% (US\$ mln)	\$0.3	\$4.9	\$5.5	\$10.9	\$10.7	\$9.4	\$7.9	\$6.0	\$5.0	\$3.6	\$3.0
Total Equity Value (US\$ mln)	\$67.3										
Shares Outstanding	77.0										
<b>Value per share</b>	<b>US\$0.87</b>										
<b>Europe Forecast</b>											
<b>Trogarzo (Ibalizumab) revenues</b>											
Overall (US\$ mln)	\$0.5	\$6.9	\$32.7	\$49.1	\$65.4	\$81.8	\$98.1	\$81.8	\$73.6	\$65.4	\$65.4
TH revenue (US\$ mln)	\$0.2	\$3.3	\$15.7	\$23.5	\$30.6	\$37.7	\$44.7	\$37.7	\$34.1	\$30.6	\$30.6
<b>Trogarzo Cash Flows After Tax</b>											
Undiscounted (US\$ mln)	-\$1.4	-\$0.4	\$5.7	\$10.6	\$11.1	\$22.0	\$28.2	\$20.3	\$15.4	\$11.0	\$8.3
Discounted at 12.5% (US\$ mln)	-\$1.0	-\$0.3	\$3.1	\$5.2	\$4.9	\$8.6	\$9.8	\$6.3	\$4.2	\$2.7	\$1.8
Total Equity Value (US\$ mln)	\$45.3										
Shares Outstanding	77.0										
<b>Value per share</b>	<b>US\$0.59</b>										
<b>Overall Trogarzo value per share</b>	<b>US\$1.46</b>										

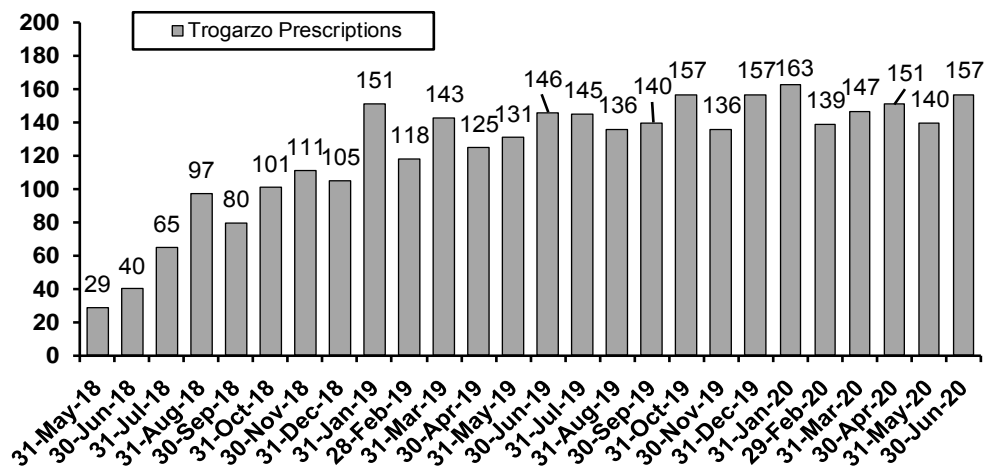
Source: Company Reports, NBF

**Figure 3: Trogarzo (Ibalizumab) Valuation**

	f2020e	f2021e	f2022e	f2023e	f2024e	f2025e	f2026e	f2027e	f2028e	f2029e	f2030e
<b>EV / SALES VALUATION</b>											
<b>US\$ Mlns</b>											
Total TH Revenue	\$15.6	\$21.3	\$39.5	\$63.2	\$70.3	\$73.3	\$80.4	\$69.4	\$65.9	\$58.4	\$58.4
W.A. Discount Rate	10%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%
Discounted Revenues	\$14.1	\$17.4	\$28.8	\$41.5	\$41.3	\$38.4	\$37.5	\$29.1	\$24.9	\$19.8	\$17.8
Value @ 2.5x Sales Multiple	\$35.1	\$43.2	\$71.4	\$103.0	\$102.4	\$95.2	\$93.1	\$72.2	\$61.8	\$49.1	\$44.1
<b>US\$ Value / Share</b>	<b>\$0.46</b>	<b>\$0.56</b>	<b>\$0.93</b>	<b>\$1.34</b>	<b>\$1.33</b>	<b>\$1.24</b>	<b>\$1.21</b>	<b>\$0.94</b>	<b>\$0.80</b>	<b>\$0.64</b>	<b>\$0.57</b>
<b>P/CF VALUATION</b>											
<b>US\$ Mlns</b>											
Total Cash Flow s	-\$1.0	\$6.8	\$14.6	\$29.9	\$32.0	\$42.1	\$46.9	\$35.8	\$29.6	\$22.5	\$18.7
W.A. Discount Rate	13%	10%	11%	11%	11%	11%	12%	12%	11%	11%	11%
Discounted Cash Flow s	-\$0.9	\$5.6	\$10.6	\$19.7	\$19.0	\$22.0	\$21.8	\$15.0	\$11.2	\$7.7	\$5.8
Value @ 9x CF Multiple	-\$8.0	\$49.9	\$95.1	\$176.3	\$169.6	\$197.0	\$194.7	\$133.9	\$100.4	\$68.7	\$51.9
<b>US\$ Value / Share</b>	<b>-\$0.10</b>	<b>\$0.65</b>	<b>\$1.24</b>	<b>\$2.29</b>	<b>\$2.20</b>	<b>\$2.56</b>	<b>\$2.53</b>	<b>\$1.74</b>	<b>\$1.30</b>	<b>\$0.89</b>	<b>\$0.67</b>
<b>VALUATION METHODOLOGY</b>											
	<b>Weight</b>	<b>Output</b>									
DCF Value / Share	50%	\$1.46									
EV / Sales Value / Share	25%	\$1.33									
Price / Cash Flow Value / Share	25%	\$2.20									
<b>Weighted Average Value / Share for Trogarzo:</b>		<b>US\$1.62</b>									
Exchange rate (Cdn\$/US\$)		\$1.37									
<b>Weighted Average Value / Share for Trogarzo:</b>		<b>C\$2.22</b>									
Source: NBF, Company Reports											
<b>ASSUMPTIONS</b>											
EV/SALES Multiple	2.5x										
P/CF Multiple	9.0x										
Euro Discount Rate	12.5%										
US Discount Rate	10%										

Source: Company Reports, NBF

**Figure 4: Trogarzo (Ibalizumab) Monthly Prescriptions**

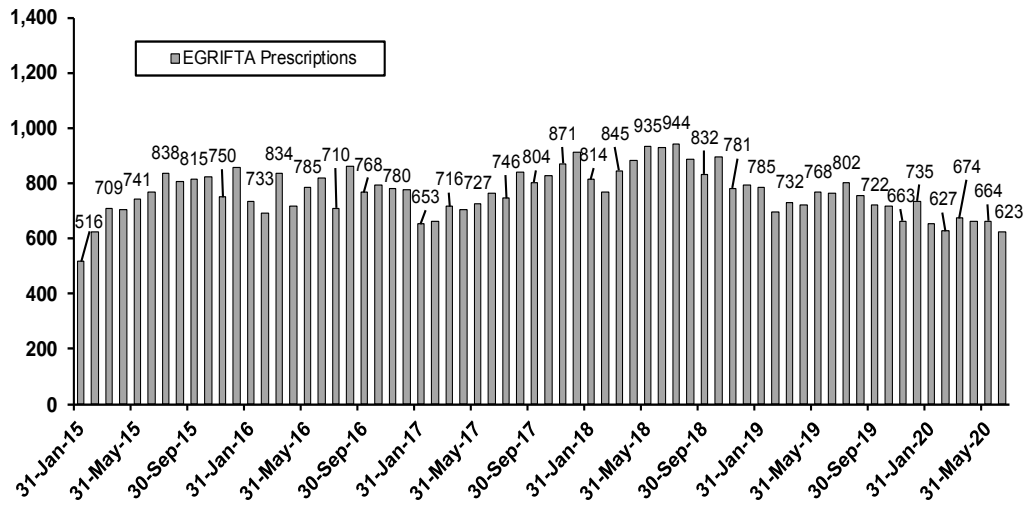


Source: Bloomberg, NBF

**EGRIFTA®**

Our EGRIFTA forecasts remain largely unchanged as we forecast a successful complete transition to the SV formulation by the end of July 2020. Our Cdn\$1.75 (-US\$1.25 target), estimated via f2021 EBITDA of US\$13 mln, net debt of US\$20 mln and a target f2021e EV/EBITDA multiple of 9x, remains unchanged.

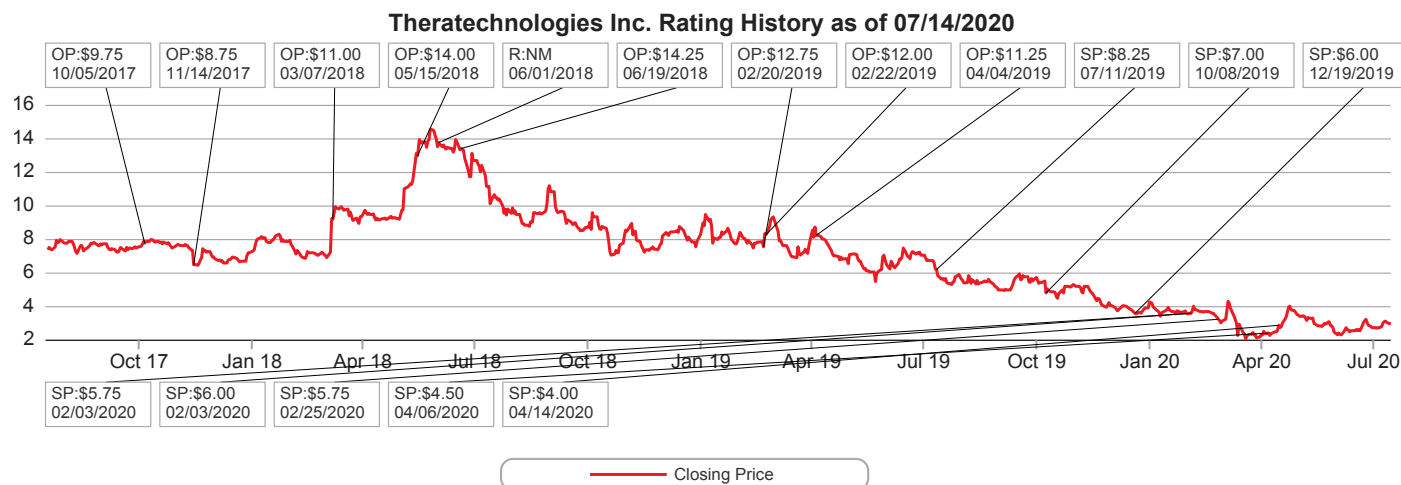
**Figure 5: EGRIFTA Monthly Prescriptions**



Source: Bloomberg, NBF

**Disclosures**

PRICE, RATING AND TARGET HISTORY: OP = Outperform, SP = Sector Perform, UP = Underperform, UR = Under Review, R = Restricted; (Source: Factset, NBF)



**RISKS:**

**Regulatory:** The approval, manufacturing and sale of pharmaceutical products is highly regulated and Theratechnologies could face delays or even revocation of approvals if its products do not conform or satisfy regulatory requirements and standards.

**Reimbursement:** Theratechnologies depends in part on third-party payors for reimbursement of its pharmaceuticals and changes to reimbursement rates or policies could impact its financial results.

**ADDITIONAL COMPANY RELATED DISCLOSURES**

Theratechnologies Inc. 6, 7

**LEGEND FOR COMPANY RELATED DISCLOSURES:**

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- 7 The issuer is a client, or was a client, of National Bank Financial Inc. or an affiliate within the past 12 months.
- 8 National Bank Financial Inc. or its affiliates expects to receive or intends to seek compensation for investment banking services from this issuer in the next 3 months.
- 9 As of the end of the month immediately preceding the date of publication of this research report (or the end of the second most recent month if the publication date is less than 10 calendar days after the end of the most recent month), National Bank Financial Inc. or an affiliate beneficially own 1% or more of any class of common equity securities of this issuer.
- 10 National Bank Financial Inc. makes a market in the securities of this issuer, at the time of this report publication.
- 11 A partner, director, officer or research analyst involved in the preparation of this report has, during the preceding 12 months provided services to this issuer for remuneration other than normal course investment advisory or trade execution services.
- 12 A research analyst, associate or any other person (or a member of their household) directly involved in preparing this report has a financial interest in the securities of this issuer.
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- 15 A redacted draft version of this report has been shown to the issuer for fact checking purposes and changes may have been made to the report before publication.

**RATING DISTRIBUTION**

	Outperform	Sector Perform	Underperform
Coverage Universe Ratings Distribution	55%	42%	2%
Investment Banking Distribution	77%	65%	71%

## TMX Group

### Modest Tweaks Ahead of Q2 2020 Earnings

<b>X (TSX)</b> <b>C\$136.34</b>	STOCK RATING <b>Outperform</b> (Unchanged)	TARGET <b>C\$150.00</b> (Unchanged)	EST. TOTAL RETURN <b>12.0%</b>
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### Q2 2020 Preview

#### TMX reports Q2-20 results after market close on August 5th.

Our Q2 core EPS forecast moves to \$1.54 (was \$1.56), a solid 7% y/y increase vs. Q2-19 and following an 18% y/y increase in Q1-20. Adj. EBITDA moves to \$133.3 million (was \$134.9 mln). Consensus EPS is at \$1.50 (was \$1.49 pre-trading stats release on July 6th), EBITDA is unchanged at \$127.8 mln. Our 2020 EPS is \$5.98 (was \$6.02) and 2021 is at \$6.28 (was \$6.37).

#### Modest tweaks on mostly in-line business line performance

We make the following adjustments: 1) downward revision of ~\$0.05 to Derivative revenues on weaker than expected volumes (-1.1% y/y vs +10% y/y forecast), also below the industry average of +25% y/y; but note the strong hand-off of June volumes to Q3; 2) ~\$0.03 upward revision to Equity & FI Trading/Clearing revenues on strong volumes (56% y/y vs 47% y/y forecast), 3) a \$0.01 decrease in GSIA revenues due to negative GBP/CAD rate impacts, 4) slight lift in revenues due to USD/CAD rate impacts, 5) a reduction in Trust revenues (within Capital Formation) on lower margins and market activity; and 6) a \$0.01 increase in OPEX tied to LT incentive plan accruals.

#### Spotlight on Trayport: Nodal Exchange sets new records

We note that Nodal Exchange beat its previous volume records in power, natural gas, and environmental futures in June. While volumes do not directly drive revenues (Trayport is subscription based), strong activity on Nodal Exchange suggests demand for Trayport pricing/analytics/trading tools will increase. We believe North America (via Nodal for now) represents significant white space for Trayport.

#### Valuation & Recommendation

TMX's strategic execution (i.e., diversify business mix, invest in tech/data, grow derivatives, drive cost control) and financial outlook (i.e., mid-single digit revenue growth and EBITDA margin expansion driving average core EPS growth of ~8% in 2018 through 2021) continue to underpin our OP thesis. In addition, TMX is the top performer on the S&P/TSX Financials Index and compared to US exchange peers YTD. Our \$150 PT implies a P/E multiple of ~23x NTM core EPS, +1 year. TMX is trading at a near-peak valuation of ~22x P/E (consensus NTM), above Atlantic Exchange peers at ~21x and in line with Derivative Exchange peers at ~22x.

#### STOCK DATA

52-Week High and Low (\$)	C\$141.20-C\$84.50
Dividend per Share (\$)	2.64
Dividend Yield (%)	1.9
Shares Outstanding (Mln)	56.4
Shares Outstanding - FD (Mln)	56.7
Market Capitalization (\$Mln)	7,683.6
Enterprise Value (\$Mln)	8,417.7

#### NBCFM ESTIMATES & VALUATION

Fiscal Y/E December	2019A	2020E	2021E
Revenue (\$Mln)	806.9	870.3	902.0
Operating Expenses (\$Mln)	(341.2)	(353.6)	(361.2)
Adj. EBITDA (\$Mln)	462.0	516.7	540.9
Adj. EBITDA Margin (%)	57.3	59.4	60.0
EV/EBITDA (x)	18.2	16.3	15.6
EBIT (\$Mln)	382.4	437.5	461.7
Core EPS (\$)	5.31	5.98	6.28
% Growth (of Core EPS)	3	13	5

All figures in C\$ unless otherwise noted

Source: Refinitiv, Company Reports, NBF

#### STOCK PERFORMANCE (Source: FactSet)



#### COMPANY PROFILE

TMX Group's businesses operate cash and derivative markets for multiple asset classes including equities (TSX, TSX Venture, and Alpha), derivatives (MX), and fixed income (Shorcan). The company also provides clearing facilities (CDS and CDCC), data products (TMX Datalinx and Insights, TMX Analytics, and recently acquired Trayport) and other services to the international financial community.

## Q2 2020 Preview

Our Q2 core EPS moves down to \$1.54 (was \$1.56), reflecting in-line Capital Formation revenues, weaker than expected Derivatives revenues (down ~\$0.05), higher Equity & FI Trading/Clearing revenues (up ~\$0.03), a \$0.01 decrease in GSIA revenues due to negative exchange rate impacts at Trayport, and a \$0.01 increase in Operating Expenses tied to Compensation and Benefits. Our adj. EBITDA forecast moves down to \$133.3 million (was \$134.9 mln). Consensus EPS is at \$1.50 (was \$1.49 pre-trading statistics release on July 6th), EBITDA is at \$127.8 million (unchanged). Our 2020 EPS is \$5.98 (was \$6.02) and 2021 is at \$6.28 (was \$6.37).

**Figure 1: TMX Group Income Statement ('000s)**

TMX Group: Income Statement ('000s)							
	Q2-20E	Q1-20A	Q4-19A	Q3-19A	Q2-19A	Q/Q	Y/Y
GSIA (including Trayport)	\$80,748	\$79,800	\$75,900	\$73,600	\$75,600	1%	7%
Capital formation	\$47,056	\$40,100	\$42,600	\$43,700	\$52,600	17%	(11%)
Derivatives	\$31,383	\$40,500	\$33,300	\$33,500	\$33,800	(23%)	(7%)
Equities & FI - Trading & Clearing	\$62,436	\$58,200	\$51,100	\$45,300	\$48,600	7%	28%
<b>Total Revenue</b>	<b>\$222,746</b>	<b>\$220,300</b>	<b>\$202,800</b>	<b>\$196,300</b>	<b>\$210,300</b>	<b>1%</b>	<b>6%</b>
Operating Expenses	\$89,466	\$89,500	\$86,800	\$85,200	\$85,500	(0%)	5%
<b>Adjusted EBITDA</b>	<b>\$133,280</b>	<b>\$130,800</b>	<b>\$116,900</b>	<b>\$111,100</b>	<b>\$123,500</b>	<b>2%</b>	<b>8%</b>
Adj. EBITDA Margin	59.8%	59.4%	57.6%	56.6%	58.7%	0%	1%
<b>Core Net Income</b>	<b>\$87,567</b>	<b>\$87,000</b>	<b>\$74,300</b>	<b>\$70,900</b>	<b>\$81,717</b>	<b>1%</b>	<b>7%</b>
<b>Core EPS (Adjusted)</b>	<b>\$1.54</b>	<b>\$1.53</b>	<b>\$1.31</b>	<b>\$1.25</b>	<b>\$1.45</b>	<b>1%</b>	<b>7%</b>

Source: Company Reports, NBF

We highlight the key statistics that underpin our Q2 earnings estimate below:

### Capital Formation - Overall In-Line Quarter

**Figure 2: Key Drivers of Capital Formation Revenue**

Key Drivers of Capital Formation Revenue							
	Q2-20	Q1-20	Q4-19	Q3-19	Q2-19	Q/Q	Y/Y
<b>New Listings (IPO \$mln)</b>	<b>\$153</b>	<b>\$3,276</b>	<b>\$430</b>	<b>\$551</b>	<b>\$117</b>	<b>(95%)</b>	<b>31%</b>
TSX (#)	42	49	27	32	23	(14%)	83%
TSX Venture (#)	11	14	23	23	26	(21%)	(58%)
<b>Secondary Equity Financings</b>	<b>\$7,872</b>	<b>\$5,931</b>	<b>\$14,710</b>	<b>\$7,466</b>	<b>\$8,736</b>	<b>33%</b>	<b>(10%)</b>
TSX	\$6,820	\$4,884	\$13,727	\$6,150	\$7,689	40%	(11%)
TSX Venture	\$1,051	\$1,047	\$983	\$1,316	\$1,047	0%	0%
<b>Number of Transactions</b>							
At Maximum Fee Rate	<b>29</b>	18	16	22	40	61%	(28%)
At Other Fee Rate	<b>202</b>	143	163	162	191	41%	6%

Source: Company Reports, NBF

Notes: Maximum fee rate is \$250k per transaction, other fee rate typically ranges between \$35k to \$40k per transaction

As outlined in Figure 4, financing activity tends to rebound as corporate financing demands build in periods of soft capital markets. The rebound is already evident in the US, with the Financial Times (FT) reporting record US monthly total equity proceeds raised (IPOs and Secondary's) in May 2020. In Canada, TMX participated in 53 IPOs, broken down by 42 on the TSX and 11 on the TSX-V compared to 49 in Q2-19 (23 TSX, 26 TSX-V). In terms of dollar values, while TSX IPO Financings were up 54.3% y/y, TSX-V financings were down 89.8%. Secondary Financings on the TSX were down 11.3% y/y for the quarter and stable at +0.4% for TSX-V. On a consolidated basis, Equity Financings (IPO Financings plus Secondary Financings) were down 9.4% y/y (-10.5% for TSX and -1.2% for TSX-V).



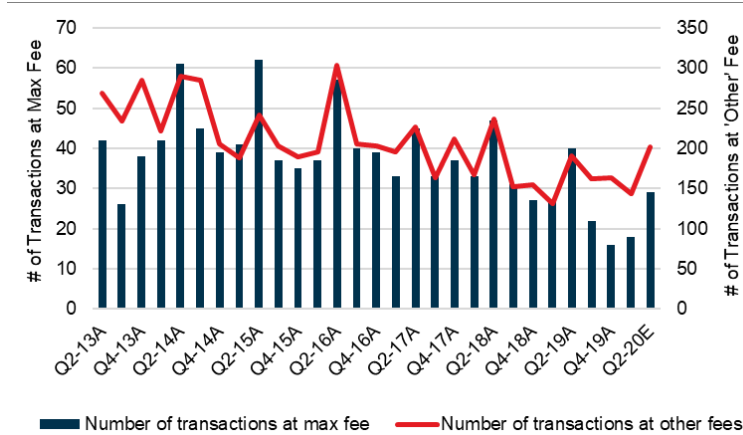
While dollar value of financings is important, the number of transactions billed is a clearer driver of additional listings revenues. The number of total transactions on the TSX was stable y/y at 231. The number of transactions billed at “other fees” (roughly \$35k to \$45k) increased 6% y/y to 202 but the number booked at the max fee (\$250k) was only 29, below the 3-year average for this quarter (44) and down from 40 in Q2-19 (-28% y/y). At \$250k per transaction, this equates to a \$2.75 million revenue decline y/y.

The consequence of weaker capital markets activity is reduced transfer agent activity and lower margin income, especially in the lower interest rate environment, on client balances held in trust/escrow accounts as part of corporate M&A, capital raising transactions and dividend payments in the TSX Trust business. In addition, deferred AGM activity could negatively impact the Transfer Agent business. We reduce our Trust revenues by -5% y/y in Q2-20 (was +5% y/y).

That said, management stated the pipeline of IPO companies remains strong at ~1,500 companies (split evenly between Canadian/international; 50% is comprised of innovation companies) in our Between Two Firms marketing [event](#) on June 8<sup>th</sup>, 2020. TMX also noted good visibility on stronger secondary financing transactions given a longer lead time as deal complexity increases in volatile markets. This could lift capital formation revenues as it has in the past (see Figure 4). TSX Trust’s transfer agent business continues to gain market share (28% in Q1-20 vs. 23% as at September 2019) while the trust business could see significant upside as transaction activity picks up (TMX earns interest on balances on deposit).

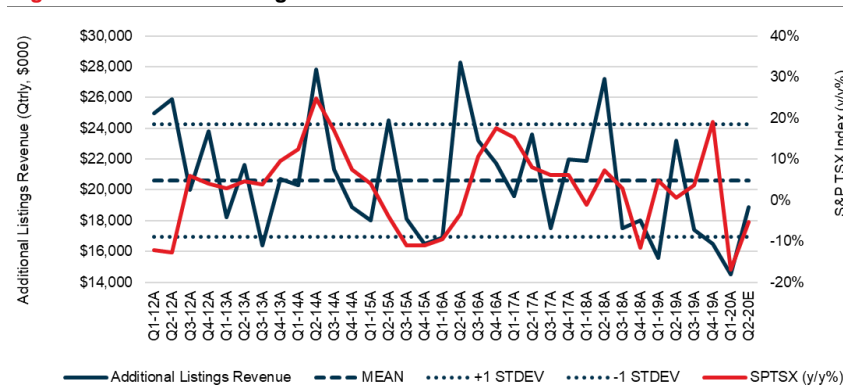
Overall, we now forecast Capital Formation revenue at \$47.0 million, roughly in line with our original \$46.9 million forecast and down 11% y/y.

**Figure 3: Number of Additional Listings Transactions Billed (TSX Only)**



Source: Company Reports, NBF

**Figure 4: Additional Listings Revenue Rebounds**



Source: Company Reports, NBF

## Equities and Fixed Income Trading & Clearing - Up They Go

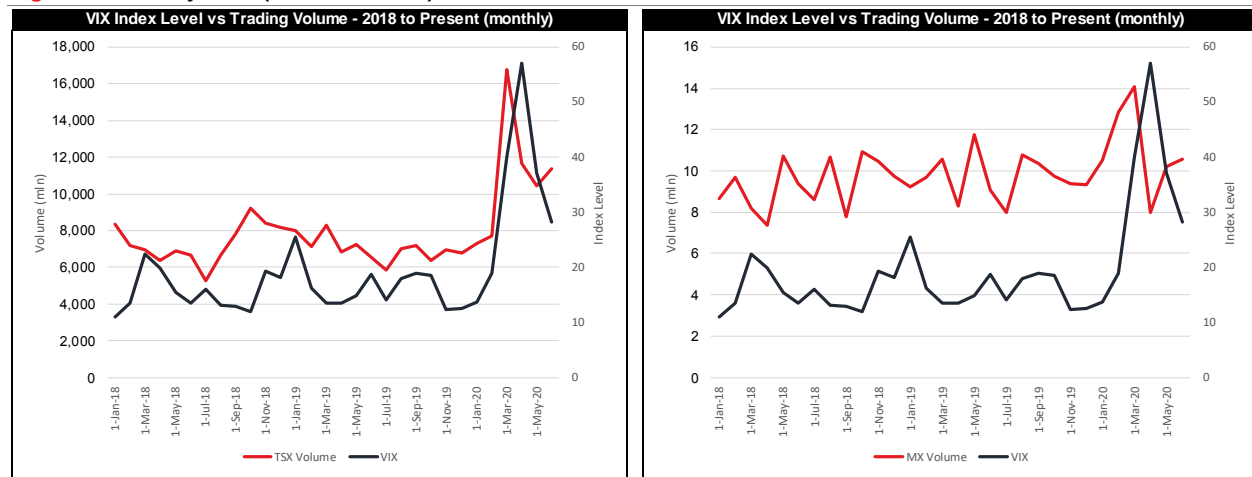
Equity trading volumes on the TSX, TSX-V and Alpha marketplaces increased -62%, -37% y/y, and -72% y/y, respectively. On a consolidated basis, volumes were at -50,589 million, up -56% y/y. Our trading/clearing revenue forecast increases to -\$62.4 million in Q2-20 (was -60.3 million), a 28% y/y increase. While the VIX has crept down from March highs of 50+, the current level at 30 is trading at a premium to the two-year pre-COVID average of 16 (Figure 6). We therefore believe there is still room for strengthening in volumes compared to year ago levels.

**Figure 5: Key Drivers of Equities, Energy and Fixed Income Trading & Clearing Revenue**

Key Drivers of Equities, Energy and Fixed Income Trading & Clearing Revenue							
TMX Equities Marketplaces	Q2-20	Q1-20	Q4-19	Q3-19	Q2-19	Q/Q	Y/Y
<b>Total Volume (mlns of shares)</b>	<b>50,589</b>	<b>46,254</b>	<b>30,183</b>	<b>31,606</b>	<b>32,400</b>	<b>9%</b>	<b>56%</b>
TSX	33,466	31,754	20,118	20,075	20,632	5%	62%
TSX Venture	12,293	10,061	7,474	8,606	8,959	22%	37%
Alpha	4,829	4,440	2,590	2,925	2,809	9%	72%

Source: Company Reports, NBF

**Figure 6: VIX Daily Price (2018 to Present)**



Source: Refinitiv, NBF

## Derivatives Trading - TMX Derivative Volumes Below Our Expectations

Montreal Exchange (MX) trading volumes, -28.8 million, down 23% q/q from the previous quarter's high, as markets somewhat stabilized and with hedges in place at the end of Q1. This represents a 1.1% y/y decline and below our previous -\$32.0 million forecast. On the positive side, open interest, which typically drives volumes, increased 15.7% y/y in June. Overall, we now forecast Q2 2020 derivatives trading & clearing revenue of \$31.4 million (was \$35.2 mln), down -7% y/y. Other factors that could drive variance to our estimate include i) on the negative side, a lower capture rate (fee per contract) as higher fee interest rate products declined more aggressively (25% y/y vs. 1% y/y total) while lower fee equity products increased -47% y/y; and ii) on the positive side, bond and money market REPO activity posted very strong transaction growth, up -30% y/y, while prevalence of fee rebates in Q2 2019 could help from a base effect point of view.

Compared to the industry, TMX's 1.1% y/y decline beat CME's -16%, however, it's a long shot from average industry volumes (excluding TMX) of +25% y/y (see Figure 8). NDAQ, ICE and not surprisingly CBOE, VIX provider, drove up the average with a 42%, 39% and 34% y/y increase, respectively. Looking forward, in addition to strong June volumes providing a favorable handoff to Q3, we remain optimistic on growth opportunities due to: 1) the launch of new interest rate products with different maturities to smooth out the volatility in derivative volumes, 2) European trading volumes continue to represent a growing share of trading (-6% of total volumes in Q1-20 vs. -5% in late 2019), and 3) extension of trading to Asian hours in 2021.

**Figure 7: Key Drivers of Derivatives Trading Revenue**

Key Drivers of Derivatives Trading Revenue							
Volume (mls of contacts)	Q2-20	Q1-20	Q4-19	Q3-19	Q2-19	Q/Q	Y/Y
Montreal Exchange	28,791	37,467	28,429	29,126	29,125	(23%)	(1%)

Source: Company Reports, NBF

**Figure 8: TMX Derivatives Volumes vs Industry Derivatives Volumes (y/y)**

TMX Derivatives Volumes vs. Industry Derivatives Volumes										
	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19	Q3-19	Q4-19	Q1-20	Q2-20
TMX	12%	5%	13%	37%	11%	6%	8%	-9%	27%	-1%
ICE	23%	13%	11%	28%	-11%	-5%	10%	-13%	47%	39%
NDAQ	22%	8%	11%	20%	-14%	1%	7%	-9%	39%	42%
CBOE	58%	2%	-2%	22%	-23%	1%	17%	-15%	54%	34%
CME	28%	13%	-1%	33%	-16%	12%	32%	-19%	47%	-16%
Average (ex. TMX)	33%	9%	5%	26%	-16%	2%	17%	-14%	47%	25%

Source: Company Reports, NBF

## Global Solutions, Insights and Analytics (GSIA) - Exchange Rate Changes Are Net Positive

Overall, we expect GSIA revenues to be up 7% y/y at \$80.7 million, a slight decrease from our previous estimate of \$81.3 million due to negative exchange rate impacts at Trayport. The exchange rate fell from ~\$1.74 CAD per GBP in Q1-20 to ~\$1.71 in Q2-20. This is offset by a weakening Canadian dollar compared to the US dollar impacting TMX revenues (\$1.38 in Q2-20 vs \$1.36 in Q1-20), booked in "Other Revenues".

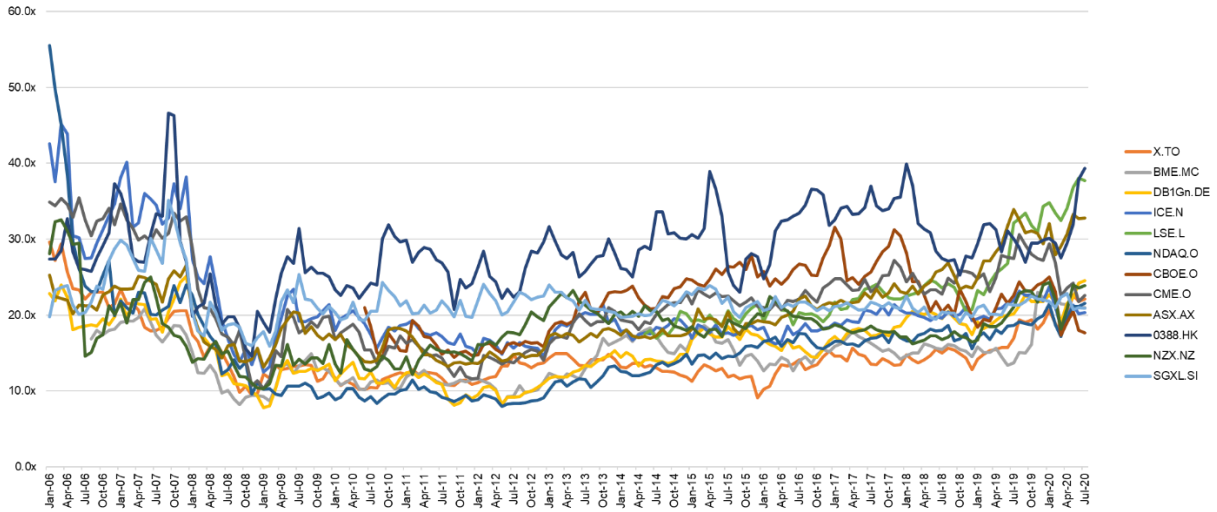
We note that Nodal Exchange - a derivatives exchange serving the North American commodities market which offers its traders access to Trayport's trading screen, Joule - beat its previous volume records in i) power (with open interest of 1,052 TWh, it has the biggest share of US power futures including 59% in the PJM Energy market), ii) natural gas (8.1 TWh of traded volumes, exceeding previous high of 3.5 TWh), and iii) environmental futures (open interest record; 7.7% market share and a 167% y/y increase in lots) in June. While volumes do not directly drive revenues (Trayport is subscription based), strong activity on Nodal Exchange suggests demand for Trayport pricing/analytics/trading tools will increase.

## Operating Expenses

We increased Compensation and Benefits expenses due to higher longer-term incentive plan accruals as the company's share price appreciates y/y. In fact, the YTD acceleration makes it the best performer on the S&P/TSX Financials Index (see Figure 11). We forecast operating expenses of \$89.5 million (was \$88.9 million), which implies an adjusted EBITDA margin of ~60%, slightly above Q2-19's ~59%.

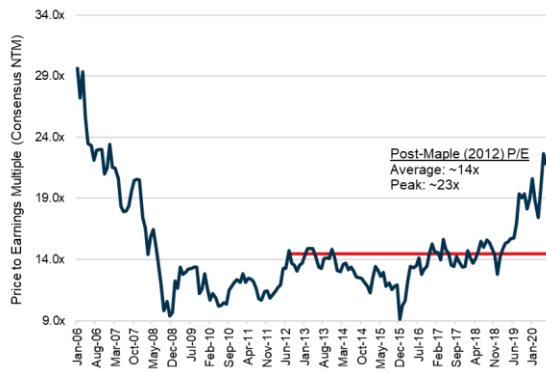
## Valuation Charts

**Figure 9: Historical P/E Trading Multiple; Month-End; Jan. 2006 to Present**



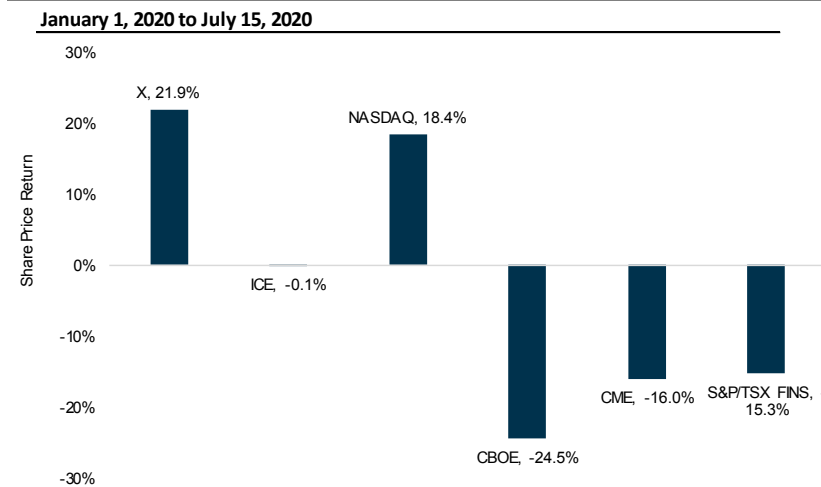
Source: Company Reports, NBF

**Figure 10: TMX Historical P/E Trading Multiple; Monthly; July 2006 to Present**



Source: Company Reports, NBF

**Figure 11: YTD Share Price Performance – TMX Highest Share Price Appreciation on the S&P/TSX Financials Index and Compared to U.S. Exchange Peers**



Source: Refinitiv, NBF

**TMX GROUP - MODEL SUMMARY**

All figures in \$ millions, except as indicated

CONSOLIDATED INCOME STATEMENT	2018A	2019A	2020E	2021E	Q1-20A	Q2-20E	Q3-20E	Q4-20E
GSIA (including Trayport)	\$289.3	\$299.7	\$323.8	\$337.8	\$79.8	\$80.7	\$81.6	\$81.7
Capital formation	\$198.7	\$180.7	\$175.7	\$192.8	\$40.1	\$47.1	\$44.6	\$43.9
Derivatives Trading & Clearing	\$129.9	\$133.2	\$141.5	\$156.8	\$40.5	\$31.4	\$35.2	\$34.4
Equities and FI Trading	\$108.8	\$98.0	\$128.9	\$116.8	\$33.2	\$37.4	\$30.5	\$27.8
Equities and FI - CDS	\$85.8	\$95.5	\$97.5	\$97.9	\$25.0	\$25.0	\$23.8	\$23.8
Energy Trading & Clearing	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other	\$4.6	(\$0.2)	\$2.8	\$0.0	\$1.7	\$1.1	\$0.0	\$0.0
<b>Total Revenue</b>	<b>\$817.1</b>	<b>\$806.9</b>	<b>\$870.3</b>	<b>\$902.0</b>	<b>\$220.3</b>	<b>\$222.7</b>	<b>\$215.7</b>	<b>\$211.6</b>
<b>Operating Expenses</b>	<b>(\$377.8)</b>	<b>(\$341.2)</b>	<b>(\$353.6)</b>	<b>(\$361.2)</b>	<b>(\$89.5)</b>	<b>(\$89.5)</b>	<b>(\$84.8)</b>	<b>(\$89.9)</b>
Strategic Realignment Charges (Other)	\$0.0	(\$3.7)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<b>EBITDA</b>	<b>\$439.3</b>	<b>\$462.0</b>	<b>\$516.7</b>	<b>\$540.9</b>	<b>\$130.8</b>	<b>\$133.3</b>	<b>\$130.9</b>	<b>\$121.7</b>
Amortization	(\$70.3)	(\$79.6)	(\$79.2)	(\$79.2)	(\$19.8)	(\$19.8)	(\$19.8)	(\$19.8)
<b>EBIT</b>	<b>\$369.0</b>	<b>\$382.4</b>	<b>\$437.5</b>	<b>\$461.7</b>	<b>\$111.0</b>	<b>\$113.5</b>	<b>\$111.1</b>	<b>\$101.9</b>
Net interest expense	(\$40.4)	(\$35.6)	(\$34.3)	(\$32.1)	(\$8.4)	(\$8.6)	(\$8.7)	(\$8.5)
Other	\$33.7	(\$11.9)	\$5.4	\$4.8	\$1.8	\$1.2	\$1.2	\$1.2
<b>Income before taxes</b>	<b>\$362.3</b>	<b>\$334.9</b>	<b>\$408.6</b>	<b>\$434.4</b>	<b>\$104.4</b>	<b>\$106.1</b>	<b>\$103.6</b>	<b>\$94.6</b>
Income taxes	(\$76.3)	(\$87.3)	(\$113.4)	(\$112.9)	(\$34.3)	(\$27.6)	(\$26.9)	(\$24.6)
NCI	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<b>Net Income</b>	<b>\$286.0</b>	<b>\$247.6</b>	<b>\$295.2</b>	<b>\$321.4</b>	<b>\$70.1</b>	<b>\$78.5</b>	<b>\$76.6</b>	<b>\$70.0</b>
Non-recurring items	\$3.4	\$52.3	\$44.2	\$36.5	\$16.9	\$9.1	\$9.1	\$9.1
<b>Core Net Income</b>	<b>\$289.4</b>	<b>\$299.9</b>	<b>\$339.4</b>	<b>\$357.9</b>	<b>\$87.0</b>	<b>\$87.6</b>	<b>\$85.7</b>	<b>\$79.1</b>
Effective Tax Rate	21.1%	26.1%	27.8%	26.0%	32.9%	26.0%	26.0%	26.0%
Weighted Avg. Shares O/S	56.1	56.5	56.8	57.0	56.7	56.8	56.8	56.8
<b>EPS (FD)</b>	<b>\$5.10</b>	<b>\$4.38</b>	<b>\$5.20</b>	<b>\$5.64</b>	<b>\$1.24</b>	<b>\$1.38</b>	<b>\$1.35</b>	<b>\$1.23</b>
% Change	(22.7%)	(14.1%)	18.6%	8.4%	(150.0%)	11.8%	(2.3%)	(8.7%)
<b>Core EPS (FD)</b>	<b>\$5.16</b>	<b>\$5.31</b>	<b>\$5.98</b>	<b>\$6.28</b>	<b>\$1.53</b>	<b>\$1.54</b>	<b>\$1.51</b>	<b>\$1.39</b>
% Change	11.5%	2.9%	12.6%	5.0%	(163.8%)	0.5%	(2.1%)	(7.7%)
<b>Adjusted EBITDA</b>	<b>\$451.4</b>	<b>\$462.0</b>	<b>\$516.7</b>	<b>\$540.9</b>	<b>\$130.8</b>	<b>\$133.3</b>	<b>\$130.9</b>	<b>\$121.7</b>
% Change	17.1%	2.3%	11.8%	4.7%	(241.3%)	1.9%	(1.8%)	(7.0%)
<b>Core ROE</b>	<b>9.1%</b>	<b>8.9%</b>	<b>9.7%</b>	<b>9.8%</b>	<b>9.9%</b>	<b>9.9%</b>	<b>9.4%</b>	<b>8.6%</b>
<b>Adjusted EBITDA Margin</b>	<b>55.2%</b>	<b>57.3%</b>	<b>59.4%</b>	<b>60.0%</b>	<b>59.4%</b>	<b>59.8%</b>	<b>60.7%</b>	<b>57.5%</b>
<b>Book Value</b>	<b>\$60.62</b>	<b>\$62.22</b>	<b>\$64.96</b>	<b>\$67.28</b>	<b>\$63.01</b>	<b>\$63.74</b>	<b>\$64.41</b>	<b>\$64.96</b>
<b>Common Dividend / Share</b>	<b>\$2.24</b>	<b>\$2.52</b>	<b>\$2.71</b>	<b>\$2.88</b>	<b>\$0.66</b>	<b>\$0.66</b>	<b>\$0.69</b>	<b>\$0.69</b>
<b>Payout Ratio</b>	<b>43.4%</b>	<b>47.5%</b>	<b>45.3%</b>	<b>45.8%</b>	<b>43.0%</b>	<b>42.8%</b>	<b>45.9%</b>	<b>49.8%</b>

Source: Company reports, NBF estimates

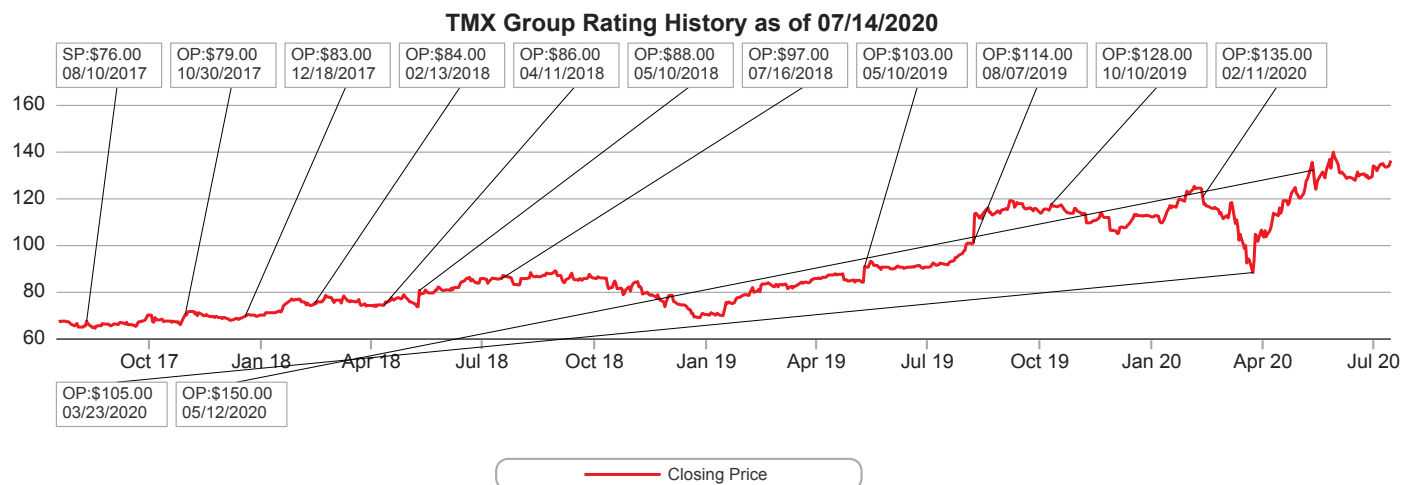
GLOBAL EXCHANGE COMPARABLES																
(Consensus Estimates)																
Exchange	Ticker	Currency	15-Jul Price	Mkt Cap (mIn)	Shares O/S (mIn)	Book Value	P/BV	ROE NTM	2019A	Adjusted EPS			2020	P/E 2021	NTM	EV (mIn)
										2020E	2021E	NTM				
<b>TMX Group</b>	<b>X.TO</b>	<b>CAD</b>	<b>136.51</b>	<b>7,719</b>	<b>56.5</b>	<b>63.09</b>	<b>2.2x</b>	<b>9.1%</b>	<b>5.25</b>	<b>5.97</b>	<b>6.34</b>	<b>6.19</b>	<b>22.9x</b>	<b>21.5x</b>	<b>22.1x</b>	<b>8,545</b>
Intercontinental Exchange	ICE.N	USD	91.72	50,191	547.2	30.69	3.0x	13.9%	3.88	4.42	4.57	4.50	20.8x	20.1x	20.4x	58,054
NASDAQ OMX	NDAQ.O	USD	124.80	20,509	164.3	32.73	3.8x	17.2%	4.97	5.68	5.74	5.72	22.0x	21.7x	21.8x	23,350
<b>Atlantic Exchanges (Mkt Cap weighted average)</b>							<b>3.2x</b>	<b>14.9%</b>					<b>21.1x</b>	<b>20.6x</b>	<b>20.8x</b>	
CBOE Holdings Inc	CBOE.O	USD	90.61	9,942	109.7	29.98	3.0x	17.2%	4.65	5.23	5.09	5.15	17.3x	17.8x	17.6x	10,601
CME Group Inc	CME.O	USD	165.56	59,367	358.6	74.31	2.2x	9.6%	6.83	7.33	7.30	7.31	22.6x	22.7x	22.6x	62,106
<b>Derivative Exchanges (Mkt Cap weighted average)</b>							<b>2.3x</b>	<b>10.7%</b>					<b>21.8x</b>	<b>22.0x</b>	<b>21.9x</b>	
<b>Atlantic and Derivative (Mkt Cap weighted averages)</b>							<b>2.8x</b>	<b>12.8%</b>					<b>21.5x</b>	<b>21.3x</b>	<b>21.3x</b>	
Deutsche Boerse	DB1Gn.DE	EUR	163.30	30,875	183.4	30.04	5.4x	19.2%	5.99	6.57	6.73	6.66	24.9x	24.3x	24.5x	31,419
Bolsas y Mercados Espanoles	BME.MC	EUR	32.94	2,741	82.9	4.70	7.0x	32.6%	1.57	1.57	1.62	1.57	21.0x	20.3x	21.0x	2,479
London Stock Exchange	LSEL	GBP	83.12	29,221	351.4	9.87	8.4x	18.3%	2.13	2.26	2.96	2.20	36.8x	28.1x	37.7x	30,252
<b>European Exchanges (Simple average)</b>							<b>7.0x</b>	<b>23.4%</b>					<b>27.6x</b>	<b>24.2x</b>	<b>27.7x</b>	
ASX Ltd	ASX.AX	AUD	84.72	16,401	193.6	19.09	4.4x	13.0%	2.60	2.55	2.64	2.56	33.2x	32.1x	33.1x	4,591
Hong Kong Stock Exchanges	0388.HK	HKD	356.60	452,111	1,267.8	33.93	10.5x	24.2%	7.58	8.37	9.51	9.03	42.6x	37.5x	39.5x	167,011
NZX Ltd	NZX.NZ	NZD	1.41	391	271.8	0.23	6.2x	25.9%	0.05	0.06	0.06	0.06	24.5x		23.6x	411
Singapore Exchange	SGXL.SI	SGD	8.32	8,916	1,070.0	1.01	8.2x	33.7%	0.37	0.42	0.40	0.40	19.6x	20.9x	21.0x	8,464
<b>Pacific Exchanges (Simple average)</b>							<b>7.4x</b>	<b>24.2%</b>					<b>30.0x</b>	<b>30.2x</b>	<b>29.3x</b>	
Exchange	Dividend Yield	52-Week		Stock Performance					Adjusted EPS Growth			Net-Debt/ EBITDA (LTM)	Total Debt / EBITDA (LTM)	Total Debt to Capital	EV (mIn)	
		High	Low	1 day	5 days	3 mths	6 mths	1 year	2019A	2020E	2021E					
<b>TMX Group</b>	<b>1.9%</b>	<b>141.2</b>	<b>84.5</b>	<b>2%</b>	<b>1%</b>	<b>15%</b>	<b>20%</b>	<b>48%</b>	<b>2%</b>	<b>14%</b>	<b>6%</b>	<b>1.7x</b>	<b>2.3x</b>	<b>24%</b>		
Intercontinental Exchange	1.3%	101.56	63.52	(0%)	(1%)	(6%)	(1%)	(0%)	9%	14%	3%	2.2x	2.4x	33%		
NASDAQ OMX	1.6%	126.22	71.66	1%	4%	9%	24%	20%	3%	14%	1%	2.1x	3.1x	43%		
<b>North American Exchanges</b>				<b>1.4%</b>	<b>0%</b>	<b>(2%)</b>	<b>6%</b>	<b>6%</b>	<b>7%</b>	<b>14%</b>	<b>3%</b>	<b>2.2x</b>	<b>2.6x</b>	<b>36%</b>		
CBOE Holdings Inc	1.6%	127.93	72.01	(1%)	(3%)	(22%)	(22%)	(21%)	(4%)	13%	(3%)	0.8x	1.0x	21%		
CME Group Inc	2.1%	225.36	131.80	0%	(0%)	(25%)	(18%)	(19%)	1%	7%	(0%)	0.8x	1.1x	12%		
<b>Derivative Exchanges</b>				<b>2.0%</b>	<b>0%</b>	<b>(1%)</b>	<b>(25%)</b>	<b>(18%)</b>	<b>(19%)</b>	<b>1%</b>	<b>8%</b>	<b>-1%</b>	<b>0.8x</b>	<b>1.1x</b>	<b>13%</b>	
<b>Atlantic and Derivative</b>				<b>1.7%</b>	<b>0%</b>	<b>(0%)</b>	<b>(13%)</b>	<b>(6%)</b>	<b>(7%)</b>	<b>4%</b>	<b>11%</b>	<b>1%</b>	<b>1.5x</b>	<b>1.8x</b>	<b>25%</b>	
Deutsche Boerse	1.8%	169.90	92.92	(3%)	(3%)	8%	17%	28%	11%	10%	2%					
Bolsas y Mercados Espanoles	4.3%	36.00	20.50	0%	0%	(4%)	36%	53%	(4%)	0%	3%	-1.3x	0.1x	6%		
London Stock Exchange	0.8%	8628.00	5300.00	(2%)	0%	9%	18%	47%	27%	6%	31%	0.5x	1.8x	37%		
<b>European Exchanges</b>				<b>2.3%</b>	<b>(1%)</b>	<b>(1%)</b>	<b>4%</b>	<b>24%</b>	<b>42%</b>	<b>12%</b>	<b>5%</b>	<b>12%</b>	<b>-0.4x</b>	<b>1.0x</b>	<b>21%</b>	
ASX Ltd	3.9%	89.92	63.02	1%	(1%)	14%	3%	(0%)	8%	(2%)	3%	-13.6x	0.1x	2%		
Hong Kong Stock Exchanges	1.9%	373.60	206.00	0%	(0%)	39%	47%	30%	0%	10%	14%	-28.2x	0.3x	6%		
NZX Ltd	6.0%	1.49	0.92	(1%)	(1%)	5%	11%	21%	(10%)	10%	7%	0.6x	1.5x	43%		
Singapore Exchange	3.6%	10.72	7.66	1%	1%	(8%)	0%	4%	5%	15%	(6%)	-0.7x	0.7x	29%		
<b>Pacific Exchanges</b>				<b>3.8%</b>	<b>0%</b>	<b>(0%)</b>	<b>13%</b>	<b>15%</b>	<b>14%</b>	<b>1%</b>	<b>8%</b>	<b>4%</b>	<b>0.6x</b>	<b>20%</b>		

Source: Refinitiv, NBF

Notes: Table reflects consensus estimates

**Disclosures**

PRICE, RATING AND TARGET HISTORY: OP = Outperform, SP = Sector Perform, UP = Underperform, UR = Under Review, R = Restricted; (Source: Factset, NBF)



**RISKS:**

**Market Share:** TMX competes for listings and trading volumes with other exchanges and alternative trading systems. Should competitors such as Aequitas, NASDAQ and CSE take a larger share, TMX's listings and trading-related revenues as well as profitability could be impaired.

**Capital Markets Sensitivity:** Considering that TMX's top-line revenues are ~50% correlated with the performance of the TSX, any prolonged weakness from the underlying index could prompt weak financial results from TMX and/or persistent bearish sentiment towards the stock.

**New entrants:** TMX currently operates a quasi-monopoly for Canadian cash equity and derivatives listings and trading. New entrants that disrupt this dynamic could have a material impact on TMX's probability.

**ADDITIONAL COMPANY RELATED DISCLOSURES**

TMX Group 2, 3, 5, 7, 13, 24

**LEGEND FOR COMPANY RELATED DISCLOSURES:**

- 2 National Bank Financial Inc. has acted as an underwriter with respect to this issuer within the past 12 months.
- 3 National Bank Financial Inc. has provided investment banking services for this issuer within the past 12 months.
- 4 National Bank Financial Inc. or an affiliate has managed or co-managed a public offering of securities with respect to this issuer within the past 12 months.
- 5 National Bank Financial Inc. or an affiliate has received compensation for investment banking services from this issuer within the past 12 months.
- 6 National Bank Financial Inc. or an affiliate has a non-investment banking services related relationship during the past 12 months.
- 7 The issuer is a client, or was a client, of National Bank Financial Inc. or an affiliate within the past 12 months.
- 8 National Bank Financial Inc. or its affiliates expects to receive or intends to seek compensation for investment banking services from this issuer in the next 3 months.
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- 14 A member of the Board of Directors of National Bank Financial Inc. is also a member of the Board of Directors or is an officer of this issuer.
- 15 A redacted draft version of this report has been shown to the issuer for fact checking purposes and changes may have been made to the report before publication.
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**RATING DISTRIBUTION**

	Outperform	Sector Perform	Underperform
Coverage Universe Ratings Distribution	55%	42%	2%
Investment Banking Distribution	77%	65%	71%

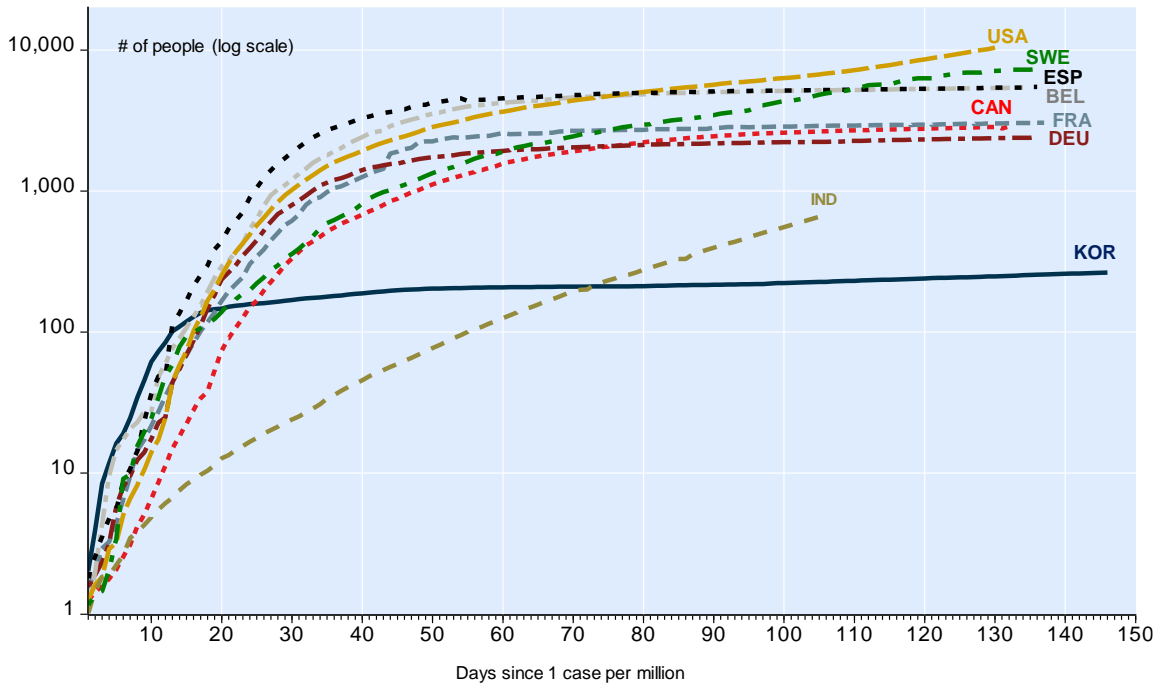


July 15, 2020

This monitor provides daily updates on the evolution of COVID-19 in selected countries using data available as of 8:00am EDT (graphs 1-19). We also compare the death rate of COVID-19 with that of the Spanish flu (graphs 20-21), monitor the reopening of economies (graphs 22-25) and offer an update of our financial conditions index for Canada (graph 26).

## 1. World: Evolution of confirmed COVID-19 cases, selected countries

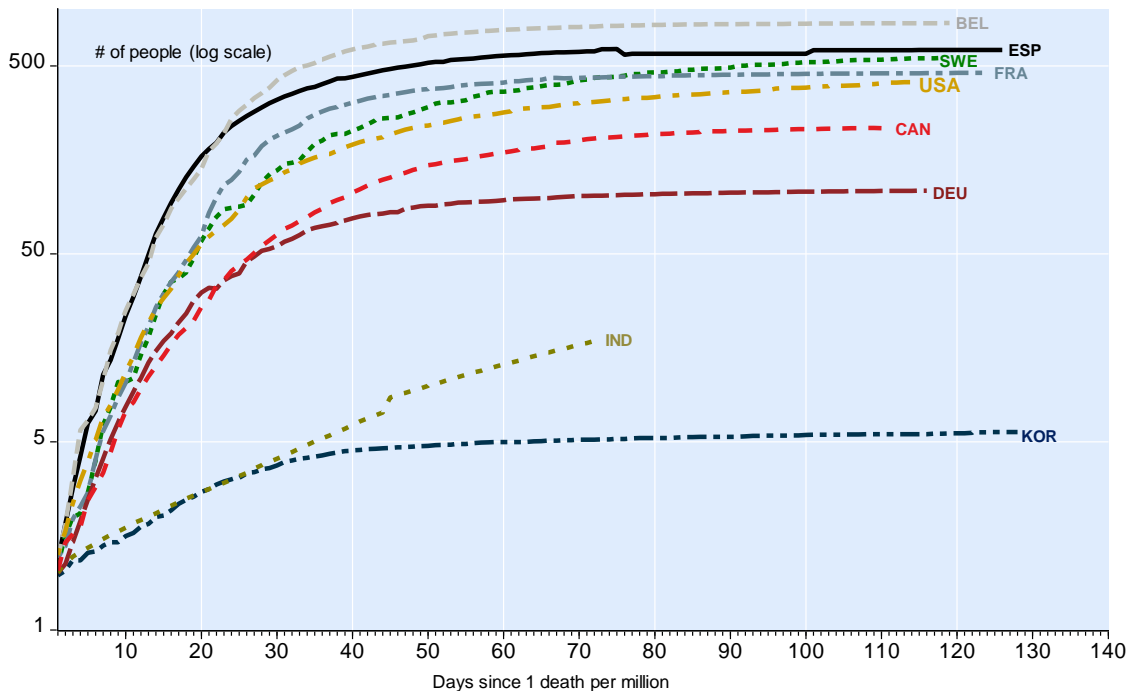
Cases per one million population, days since 1 case per million



NBF Economics and Strategy (data via Worldometers, Johns Hopkins CSSE)

## 2. World: Evolution of confirmed COVID-19 deaths, selected countries

Deaths per one million population, days since 1 death per million



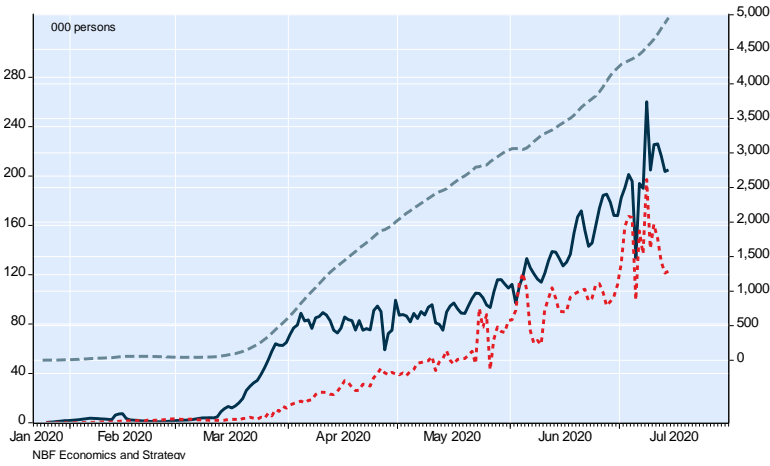
NBF Economics and Strategy (data via Johns Hopkins CSSE, Worldometers)

## 3. Evolution of the COVID-19 pandemic, selected countries

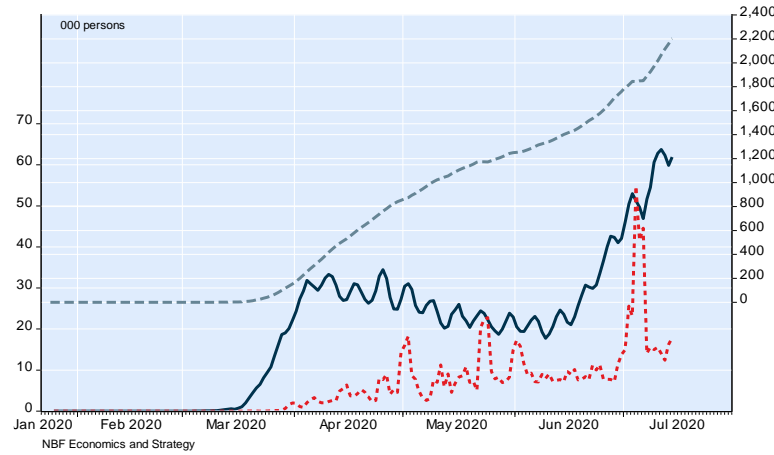
Daily change in new cases and in total active cases, 3 day moving average (data via Johns Hopkins CSSE)

■ New cases (left axis) ■ New recoveries (left axis) ■ Active cases (confirmed – recovered – deaths, right axis)

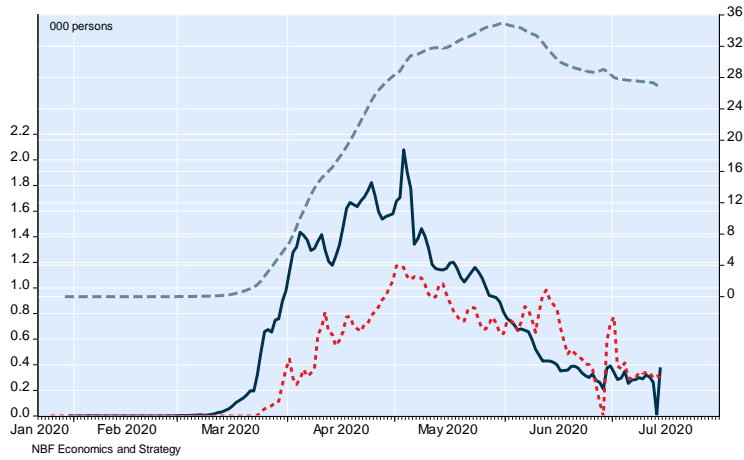
**World**



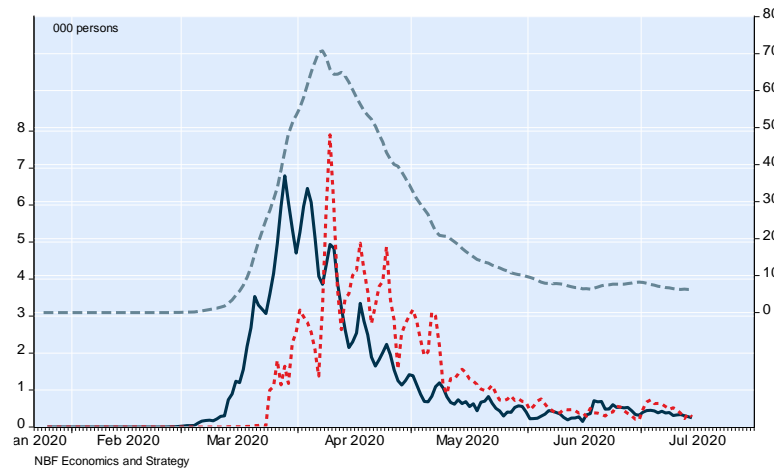
**United States**



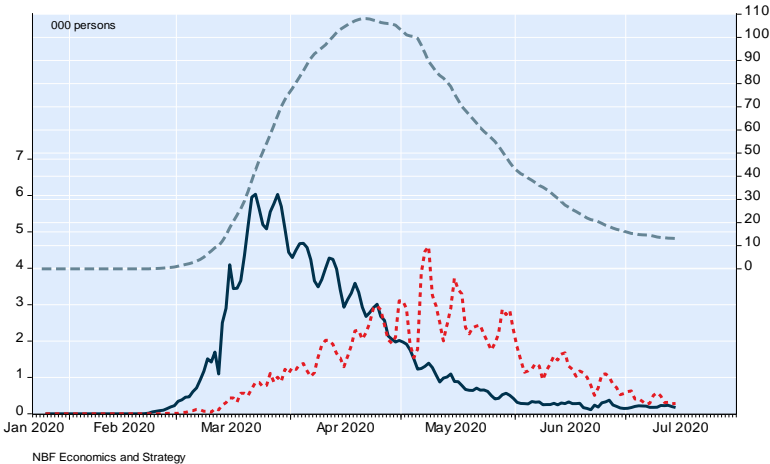
**Canada**



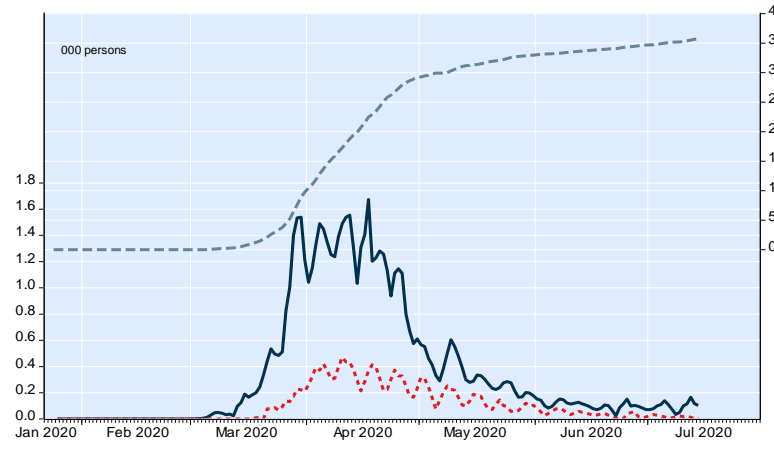
**Germany**



**Italy**



**Belgium**

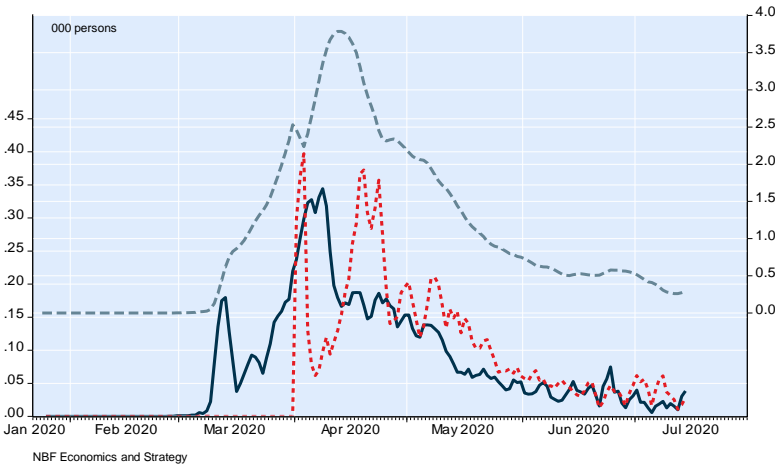


### 3. Evolution of the COVID-19 pandemic, selected countries (continued)

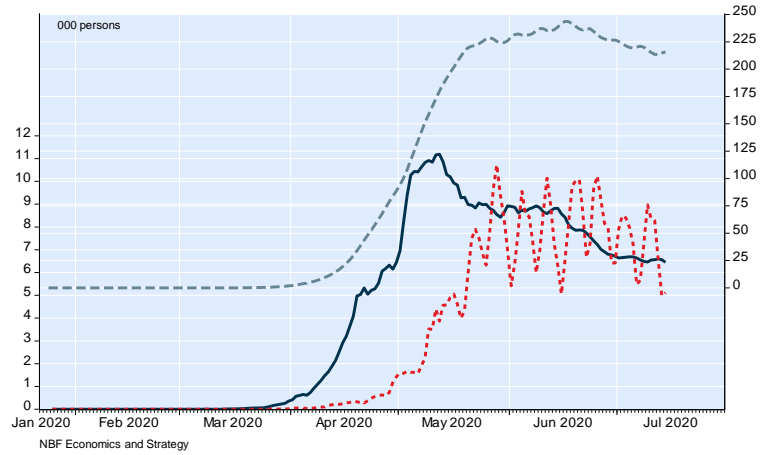
Daily change in new cases and in total active cases (data via Johns Hopkins CSSE)

■ New cases (left axis) ■ New recoveries (left axis) ■ Active cases (confirmed – recovered – deaths, right axis)

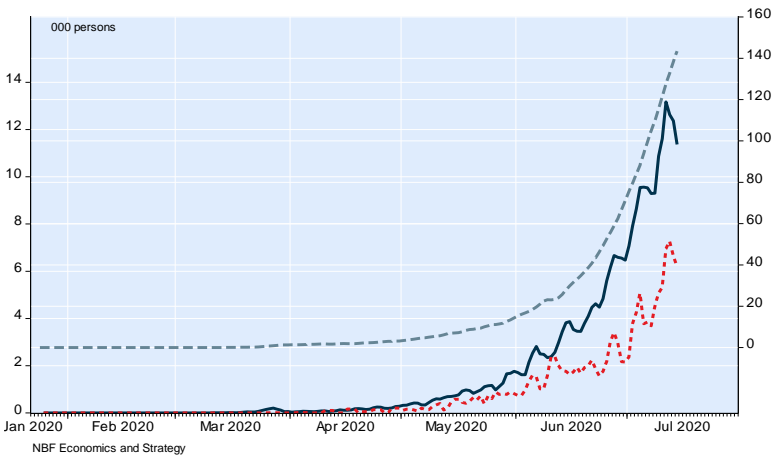
**Denmark**



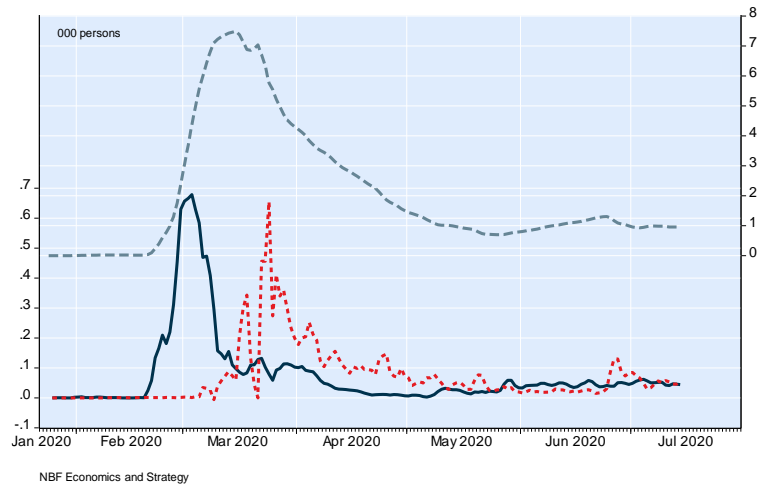
**Russia**



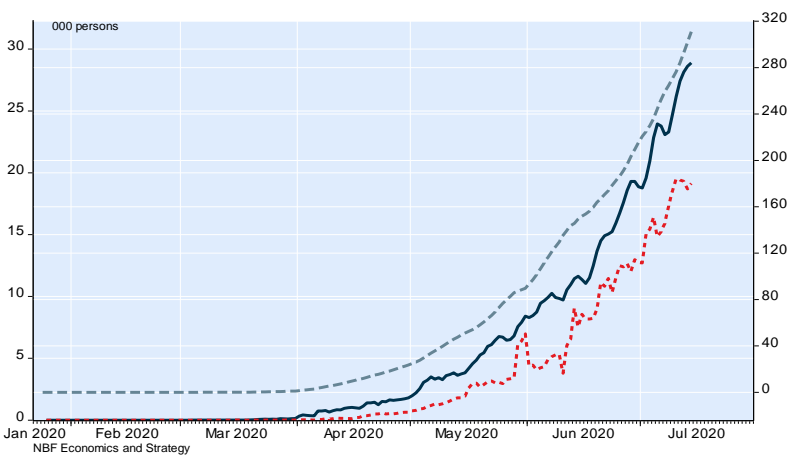
**South Africa**



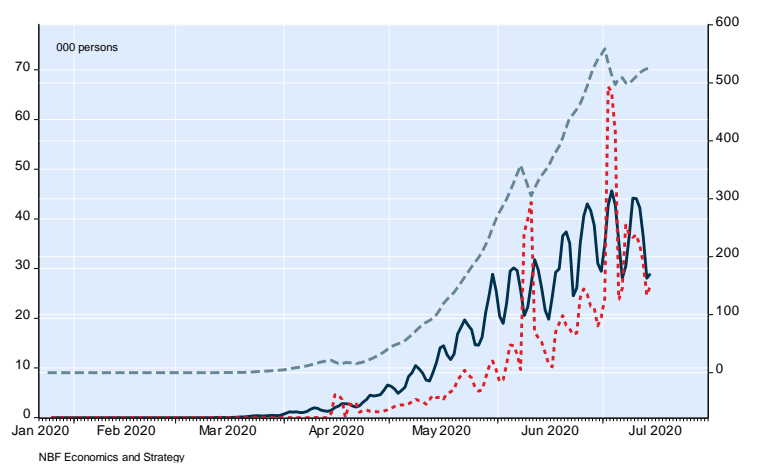
**South Korea**



**India**

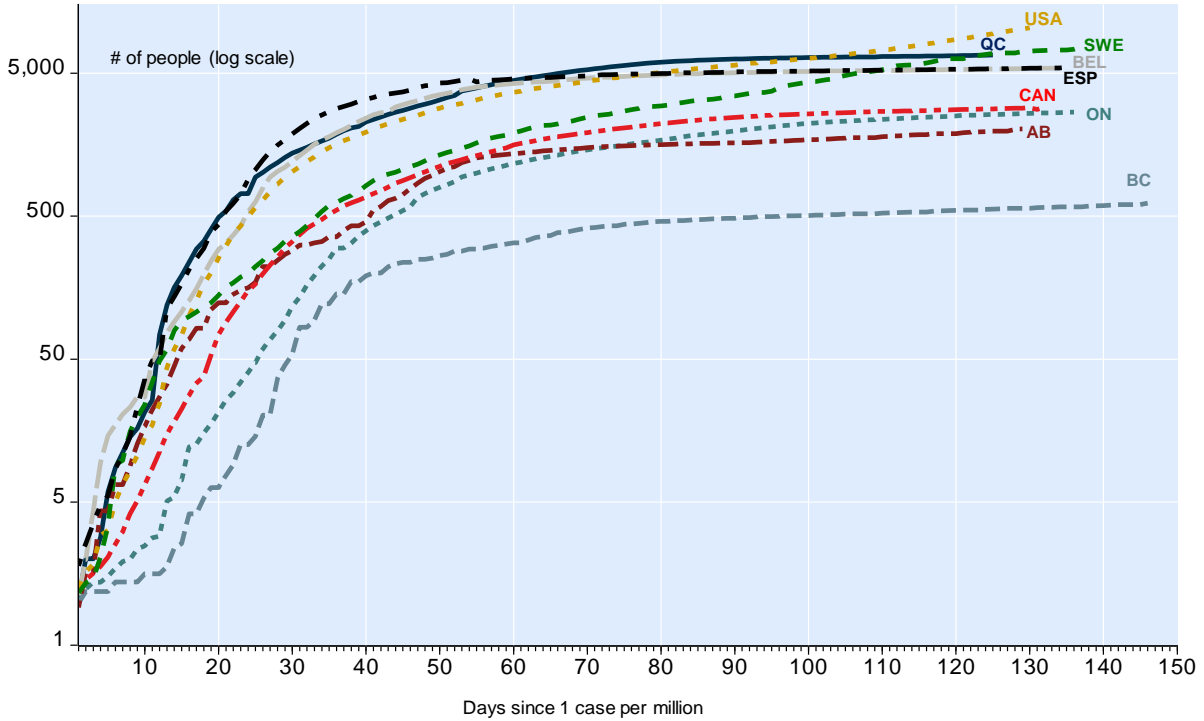


**Brazil**



#### 4. Canada: COVID-19 cases versus selected countries

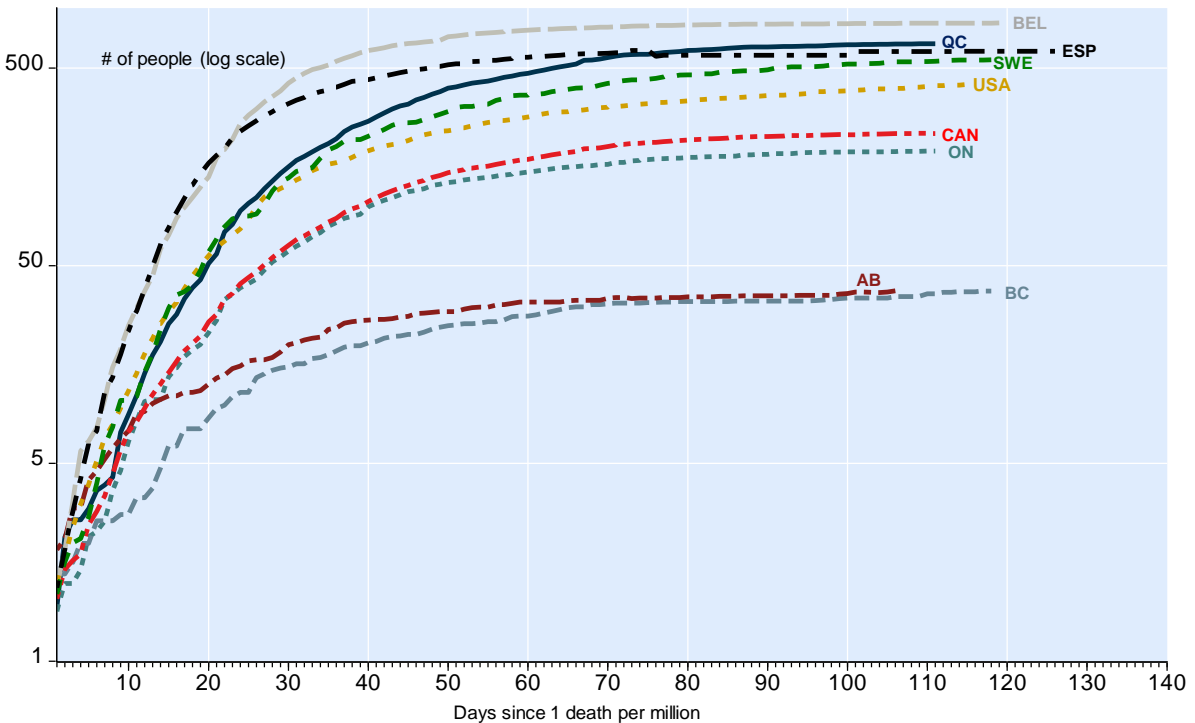
Cases per one million population, days since 1 case per million



NBF Economics and Strategy (data via Johns Hopkins CSSE, Worldometers)

#### 5. Canada: COVID-19 deaths versus selected countries

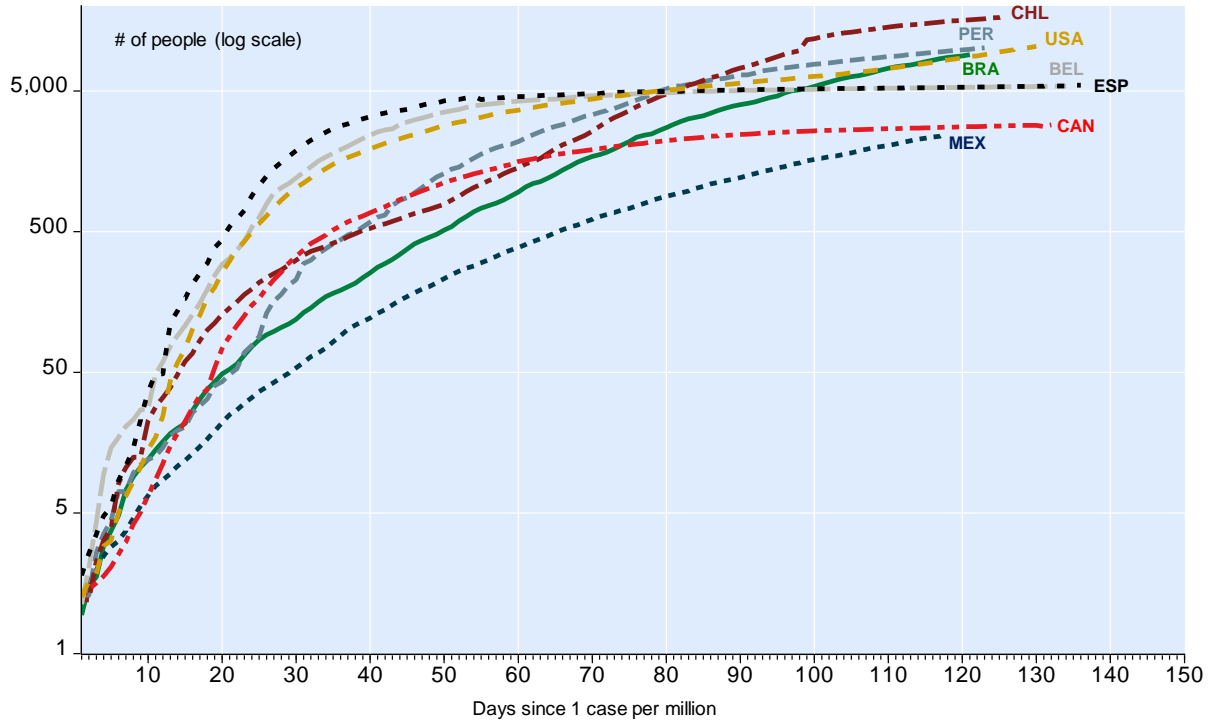
Deaths per one million population, days since 1 death per million



NBF Economics and Strategy (data via Johns Hopkins CSSE, Worldometers)

### 6. Latin America: COVID-19 cases versus selected countries

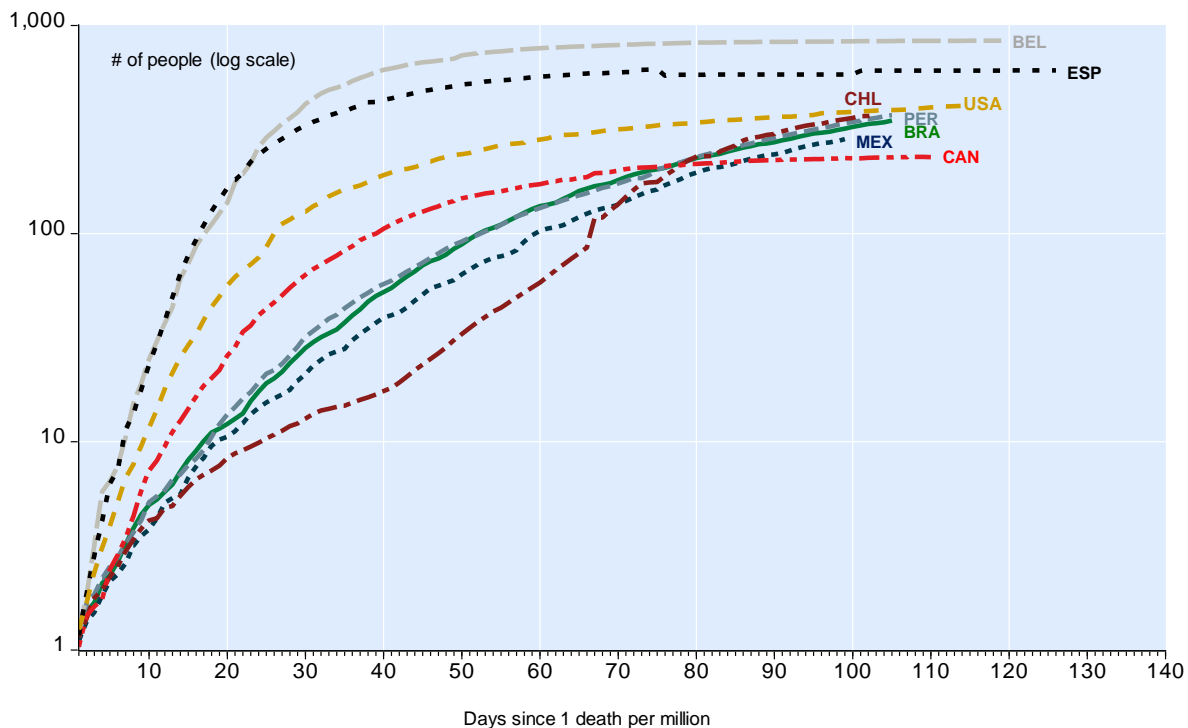
Cases per one million population, days since 1 case per million



NBF Economics and Strategy (data via <https://coronavirus.jhu.edu/map.html>)

### 7. Latin America: COVID-19 deaths versus selected countries

Deaths per one million population, days since 1 death per million



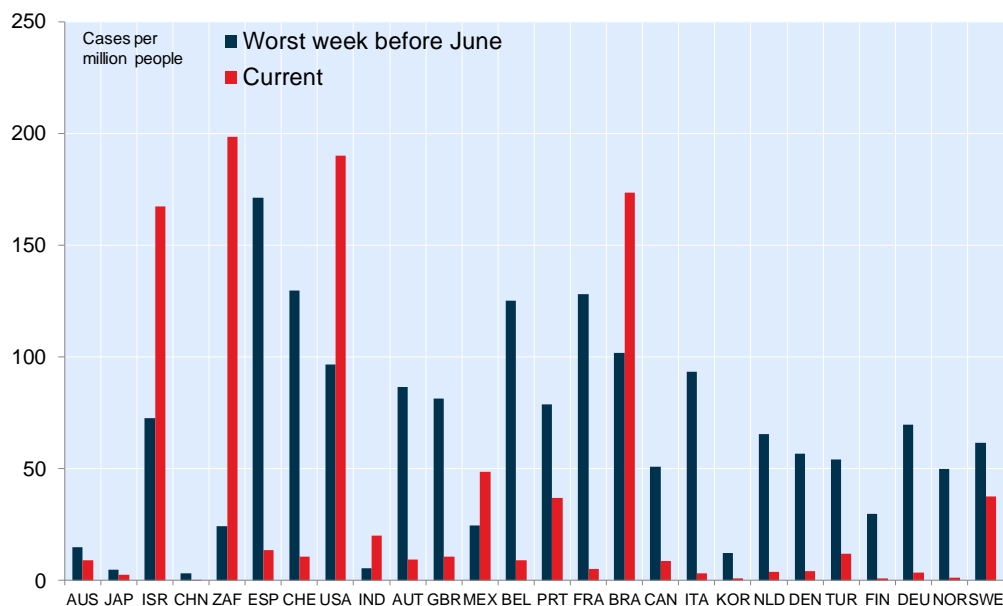
NBF Economics and Strategy (data via <https://coronavirus.jhu.edu/map.html>)

## 8. World, Daily new cases per million population

	Average daily new Covid-19 cases per million population					7 days compared to 28 days (% variation)
	March	April	May	Last 28 Days	Last 7 Days	
Australia	5.74	2.89	0.55	4.37	8.98	105.5
Japan	0.44	3.20	0.68	1.40	2.69	92.4
Israel	19.9	40.8	4.2	94.3	167.3	77.4
China	0.1	0.0	0.0	0.0	0.0	53.7
South Africa	0.7	2.4	14.7	133.7	198.6	48.6
Spain	66.2	83.8	18.0	9.4	13.7	46.1
Switzerland	61.8	50.0	4.8	7.7	10.7	39.0
United States	18.5	89.4	71.1	141.1	189.9	34.6
India	0.0	0.8	3.6	15.1	20.1	33.1
Austria	36.4	19.5	4.6	7.3	9.5	31.0
United Kingdom	11.9	71.7	49.2	9.4	10.6	12.5
Mexico	0.3	4.7	18.0	43.8	48.6	11.0
Belgium	35.6	102.8	27.4	8.1	8.9	10.1
Portugal	23.5	57.5	23.6	34.0	36.9	8.5
France	25.7	58.0	9.9	5.1	5.3	4.2
Brazil	0.9	12.8	64.9	168.6	173.6	2.9
Canada	7.2	40.4	32.4	8.7	8.8	0.5
Italy	55.8	54.9	14.7	3.5	3.3	-5.0
South Korea	4.2	0.6	0.5	0.9	0.9	-9.2
Netherlands	23.7	52.0	13.4	4.3	3.8	-12.2
Denmark	15.9	36.2	14.0	5.0	4.3	-14.7
Turkey	5.2	42.2	16.7	14.3	12.0	-15.8
Finland	8.2	21.5	10.9	1.2	1.0	-17.5
Germany	27.6	36.3	7.9	5.2	3.6	-30.7
Norway	27.5	19.0	4.2	2.2	1.4	-36.7
Sweden	14.1	55.0	52.5	80.2	37.6	-53.1

## 9. World: Perspective on the current COVID-19 cases

Daily cases per million people, worst week before June and current week, selected countries

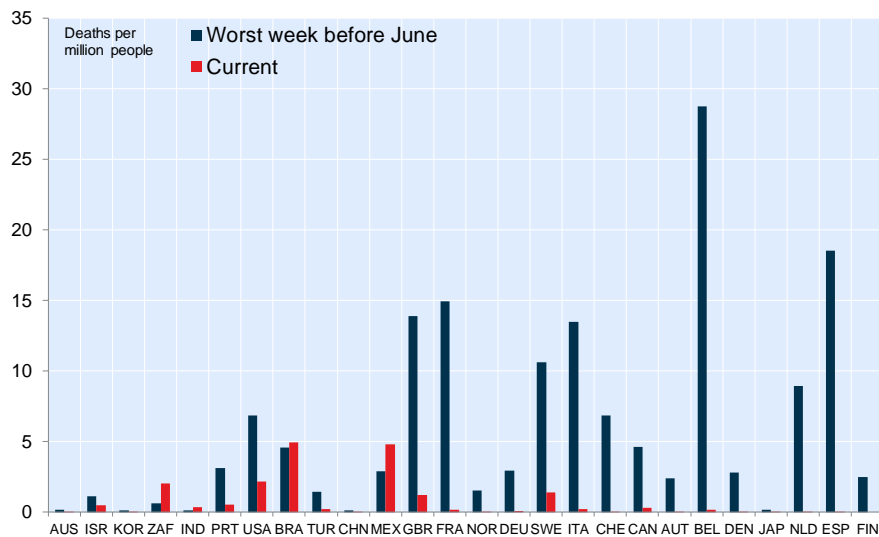


## 10. World, Daily new deaths per million population

	Average daily new Covid-19 deaths per million population					7 days compared to 28 days (% variation)
	March	April	May	Last 28 Days	Last 7 Days	
Australia	0.02	0.10	0.013	0.013	0.028	122.2
Israel	0.07	0.78	0.235	0.285	0.479	68.1
South Korea	0.1	0.1	0.014	0.007	0.011	60.0
South Africa	0.0	0.1	0.3	1.6	2.0	24.1
India	0.0	0.0	0.1	0.3	0.4	18.2
Portugal	0.5	2.7	1.3	0.5	0.5	6.8
United States	0.6	6.0	4.0	2.1	2.2	5.8
Brazil	0.0	0.9	3.5	4.9	5.0	2.3
Turkey	0.1	1.2	0.5	0.2	0.2	1.4
China	0.0	0.0	0.0	0.0	0.0	0.0
Mexico	0.0	0.5	2.0	5.0	4.8	-4.2
United Kingdom	1.2	12.0	5.6	1.5	1.2	-20.2
France	1.7	10.6	2.2	0.2	0.2	-26.3
Norway	0.2	1.1	0.2	0.1	0.1	-27.3
Germany	0.3	2.3	0.7	0.1	0.1	-28.7
Sweden	0.6	7.9	5.8	2.1	1.4	-35.3
Italy	6.6	8.6	2.9	0.3	0.2	-41.3
Switzerland	1.6	5.0	0.7	0.1	0.0	-42.9
Canada	0.1	2.8	3.5	0.5	0.3	-44.3
Austria	0.5	1.7	0.3	0.1	0.0	-57.1
Belgium	2.0	19.8	5.2	0.4	0.2	-58.1
Denmark	0.5	2.1	0.7	0.1	0.0	-66.7
Japan	0.0	0.1	0.1	0.0	0.0	-76.0
Netherlands	2.0	7.3	2.2	0.1	0.0	-81.5
Spain	5.8	11.5	1.8	1.0	0.1	-94.7
Finland	0.1	1.2	0.6	0.0	0.0	-100.0

## 11. World: Perspective on the current COVID-19 deaths

Daily deaths per million people, worst week before June and current week, selected countries



NBF Economics and Strategy (data via Johns Hopkins CSSE)



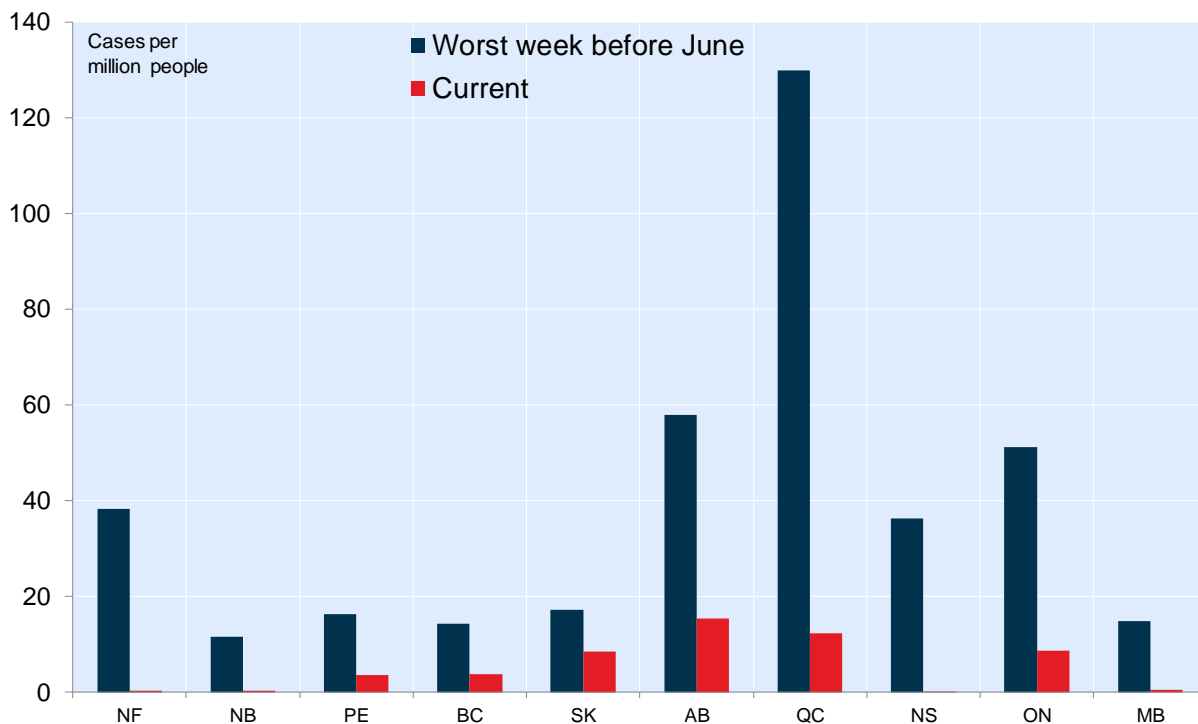
## 12. Canada, Daily new cases per million population

	Average daily new Covid-19 cases per million population					7 days compared to 28 days (% variation)
	March	April	May	Last 28 Days	Last 7 Days	
Newfoundland	9.4	6.8	0.2	0.1	0.3	300.0
New Brunswick	2.9	2.1	0.6	0.2	0.4	100.0
Prince Edward Island	4.3	1.3	0.0	2.0	3.6	77.8
British Columbia	6.3	7.2	2.9	2.60	3.86	48.4
Saskatchewan	5.0	5.8	7.0	5.8	8.5	45.8
Alberta	5.0	35.2	12.1	11.6	15.4	33.1
Quebec	15.7	91.3	88.8	10.8	12.3	13.5
Nova Scotia	4.9	27.3	3.6	0.2	0.1	-20.0
Ontario	4.3	35.0	26.3	11.3	8.7	-22.7
Manitoba	2.4	4.2	0.4	0.7	0.5	-23.1
Canada	7.2	40.4	32.4	8.7	8.8	0.5

Data via Johns Hopkins CSSE

## 13. Canada: Perspective on the current COVID-19 cases

Daily cases per million people, worst week before June and current week



NBF Economics and Strategy (data via Johns Hopkins CSSE)

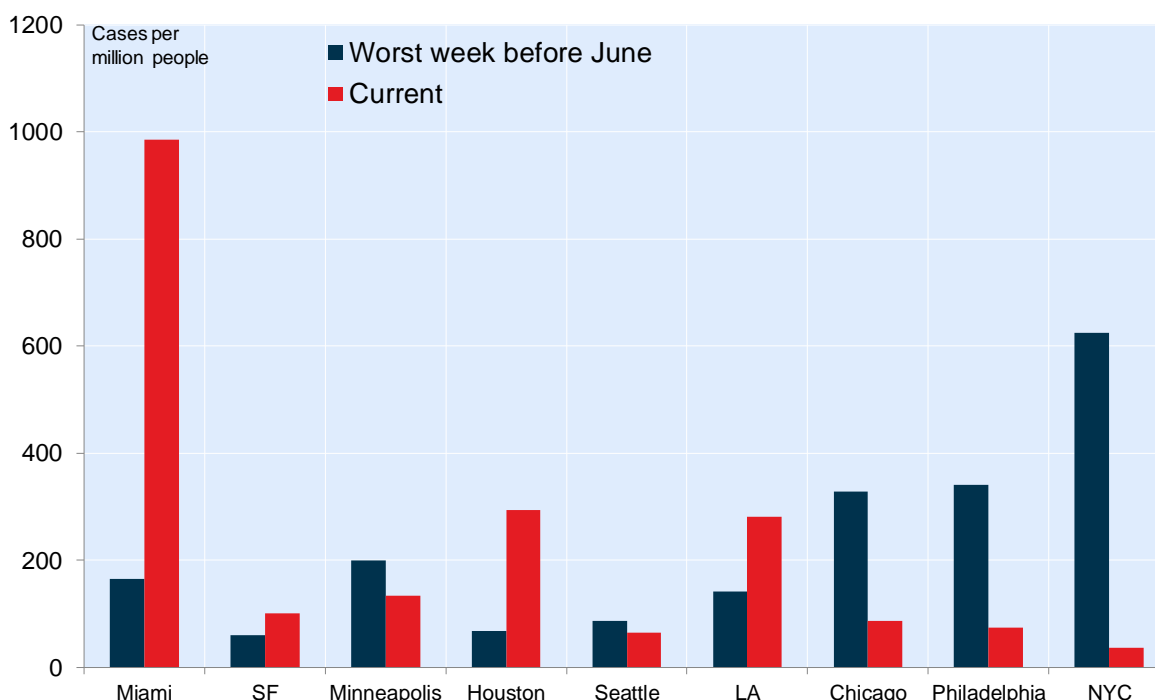
### 14. United States, Daily new cases per million population, selected cities

	Average daily new Covid-19 cases per million population					7 days compared to 28 days (% variation)
	March	April	May	Last 28 Days	Last 7 Days	
Miami-Dade	25.2	122.0	70.5	618.6	985.6	59.3
San Francisco	14.5	41.7	39.8	67.6	100.5	48.6
Minneapolis (Hennepin County)	5.2	40.4	169.6	97.8	134.6	37.6
Houston (Harris County)	4.7	40.1	40.5	237.3	294.5	24.1
Seattle (King County)	33.3	57.4	27.0	53.3	65.4	22.6
Los Angeles	9.7	67.1	102.1	232.7	281.9	21.1
Chicago (Cook County)	28.1	207.2	259.4	73.8	86.9	17.7
Philadelphia	26.8	276.8	166.2	70.6	74.1	5.0
New York City	166.8	497.2	138.6	38.7	36.5	-5.7
United States	18.5	89.4	71.1	141.1	189.9	34.6

Data via Johns Hopkins CSSE

### 15. United States: Perspective on the current COVID-19 cases

Daily cases per million people, worst week before June and current week, selected cities



NBF Economics and Strategy (data via Johns Hopkins CSSE)

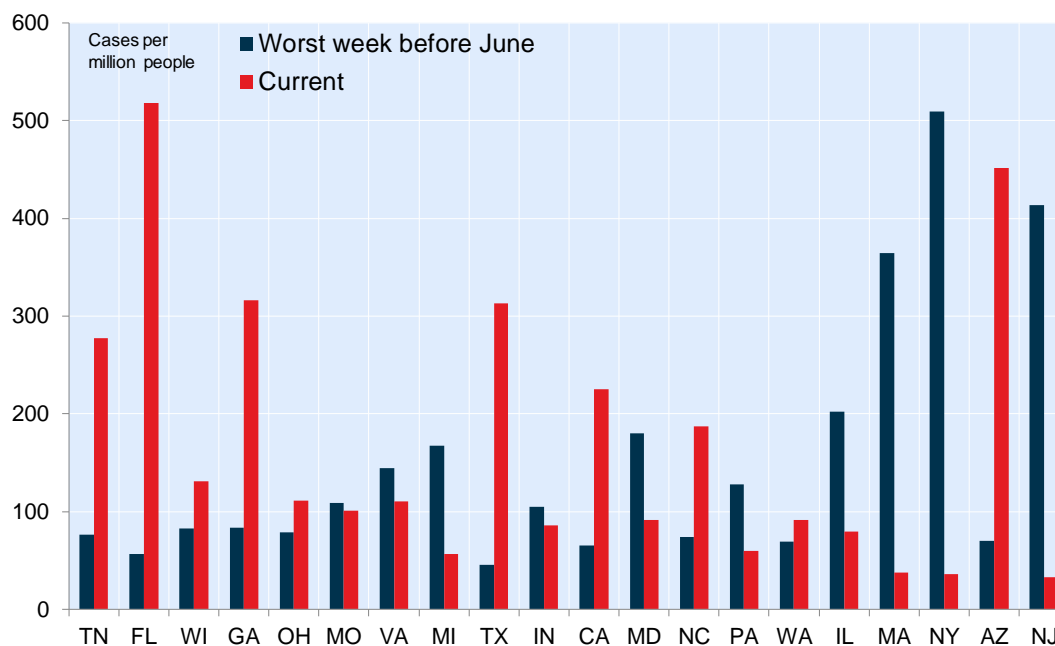
## 16. United States, Daily new cases per million population

	Average daily new Covid-19 cases per million population					7 days compared to 28 days (% variation)
	March	April	May	Last 28 Days	Last 7 Days	
Tennessee (TN)	11.3	40.7	55.8	183.2	277.7	51.5
Florida (FL)	10.1	41.8	33.5	351.7	517.7	47.2
Wisconsin (WI)	7.8	31.2	64.0	90.2	131.3	45.5
Georgia (GA)	11.9	70.0	63.1	218.3	316.1	44.8
Ohio (OH)	6.1	45.1	48.3	79.4	111.1	39.9
Missouri (MO)	6.5	32.7	26.1	72.1	100.6	39.6
Virginia (VA)	5.3	60.0	108.7	80.2	110.5	37.8
Michigan (MI)	24.6	107.6	43.5	41.5	56.7	36.7
Texas (TX)	4.2	28.6	40.0	229.1	313.1	36.7
Indiana (IN)	10.3	77.5	79.9	63.1	86.1	36.4
California (CA)	6.7	35.4	50.5	169.3	224.9	32.9
Maryland (MD)	8.9	110.7	165.6	70.0	91.3	30.4
North Carolina (NC)	4.7	29.3	55.4	150.1	186.7	24.4
Pennsylvania (PA)	12.5	112.0	70.9	48.2	59.9	24.2
Washington (WA)	23.0	38.9	31.2	74.0	91.6	23.9
Illinois (IL)	15.2	123.3	171.2	64.8	79.6	22.9
Massachusetts (MA)	30.9	268.7	162.6	32.4	37.1	14.8
New York (NY)	125.7	391.6	110.1	34.1	36.3	6.2
Arizona (AZ)	5.7	29.2	54.4	436.3	451.5	3.5
New Jersey (NJ)	67.9	375.1	151.8	34.1	32.8	-4.0
<b>United States</b>	<b>18.5</b>	<b>89.4</b>	<b>71.1</b>	<b>141.1</b>	<b>189.9</b>	<b>34.6</b>

Data via Johns Hopkins CSSE

## 17. United States: Perspective on the current COVID-19 cases

Daily cases per million people, worst week before June and current week, 20 most populous states



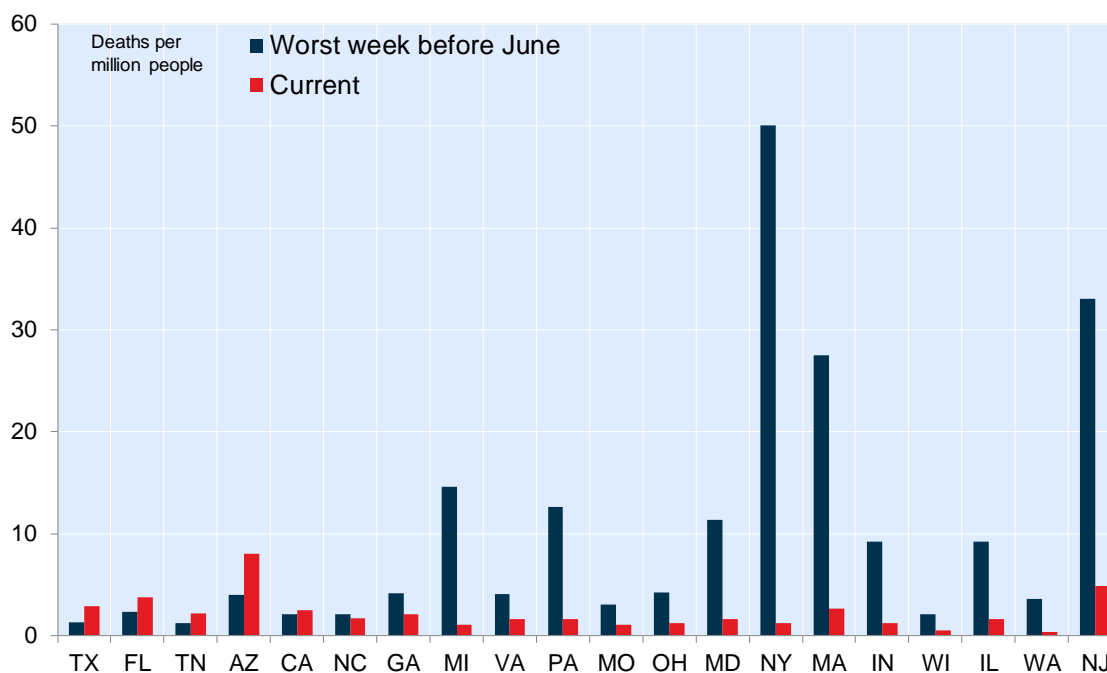
### 18. United States, Daily new deaths per million population

	Average daily new Covid-19 deaths per million population					7 days compared to 28 days (% variation)
	March	April	May	Last 28 Days	Last 7 Days	
Texas (TX)	0.1	0.9	1.0	1.6	2.9	77.9
Florida (FL)	0.1	1.8	1.8	2.4	3.8	60.5
Tennessee (TN)	0.1	0.9	0.8	1.4	2.1	48.9
Arizona (AZ)	0.1	1.4	2.6	5.4	8.0	47.9
California (CA)	0.1	1.6	1.7	1.9	2.4	32.1
North Carolina (NC)	0.0	1.3	1.6	1.4	1.7	24.4
Georgia (GA)	0.3	3.2	2.8	1.8	2.1	18.1
Michigan (MI)	0.9	12.3	5.6	1.0	1.1	2.7
Virginia (VA)	0.1	2.2	3.2	1.7	1.6	-5.8
Pennsylvania (PA)	0.2	6.3	7.8	1.8	1.6	-12.1
Missouri (MO)	0.1	2.3	1.9	1.3	1.1	-14.2
Ohio (OH)	0.2	2.6	3.3	1.4	1.2	-15.7
Maryland (MD)	0.1	6.2	7.4	2.1	1.6	-22.7
New York (NY)	5.4	36.5	9.8	1.6	1.2	-22.8
Massachusetts (MA)	0.4	16.8	15.4	3.5	2.6	-24.7
Indiana (IN)	0.2	5.3	4.9	1.7	1.2	-29.3
Wisconsin (WI)	0.1	1.7	1.5	0.8	0.5	-31.7
Illinois (IL)	0.3	5.9	7.7	2.9	1.6	-42.8
Washington (WA)	0.9	2.6	1.3	0.8	0.4	-53.8
New Jersey (NJ)	1.0	26.1	16.2	11.2	4.8	-56.8
United States	0.6	6.0	4.0	2.1	2.2	5.8

Data via Johns Hopkins CSSE

### 19. United States: Perspective on the current COVID-19 deaths

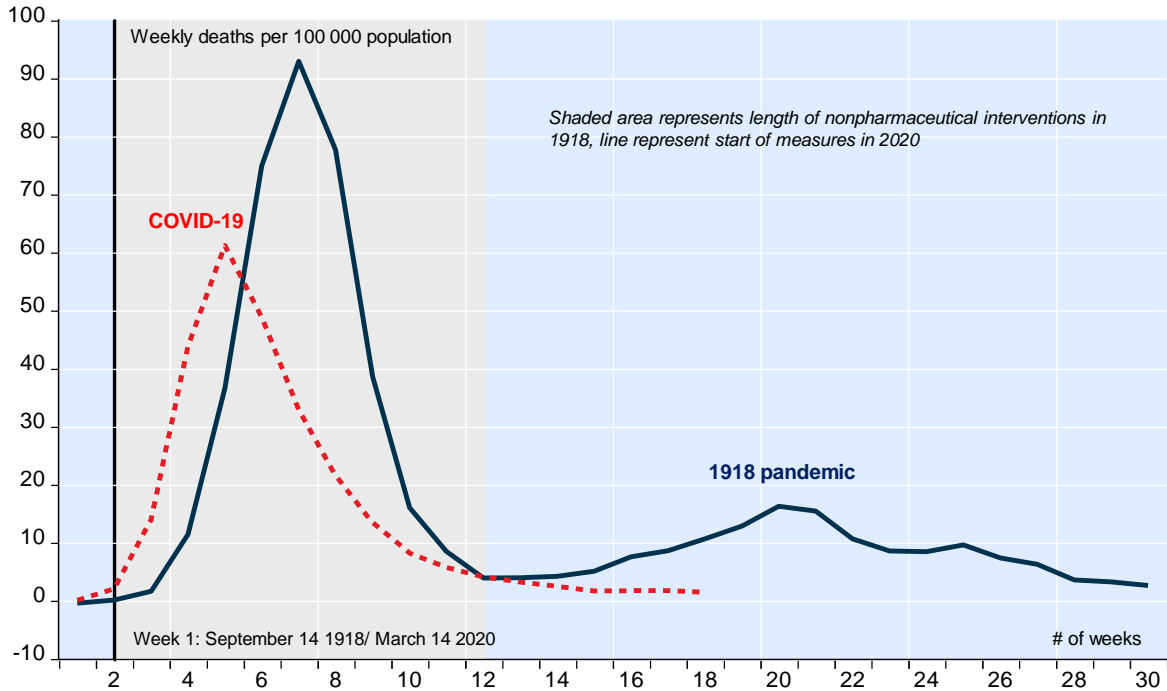
Daily deaths per million people, worst week before June and current week, 20 most populous states



NBF Economics and Strategy (data via Johns Hopkins CSSE)

## 20. New York City: Then vs now

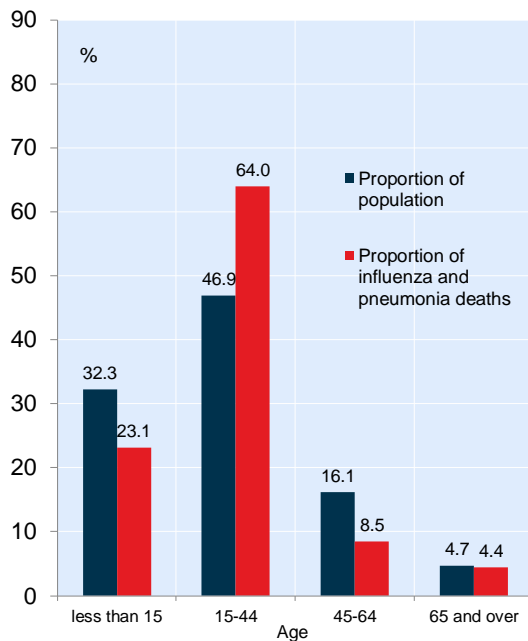
Weekly deaths per 100 000 population: 1918 pandemic vs COVID-19 (COVID-19 last obs.: July 5 to 11)



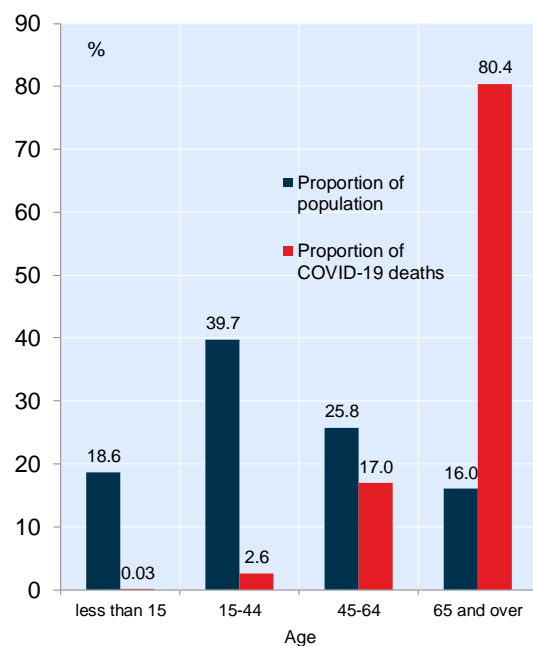
NBF Economics and Strategy (data via Johns Hopkins CSSE, Wikipedia, Markel and al. Nonpharmaceutical Interventions Implemented During the 1918-1919 Influenza Pandemic)

## 21. United States: Perspective on pandemic related deaths

Spanish flu (1918)



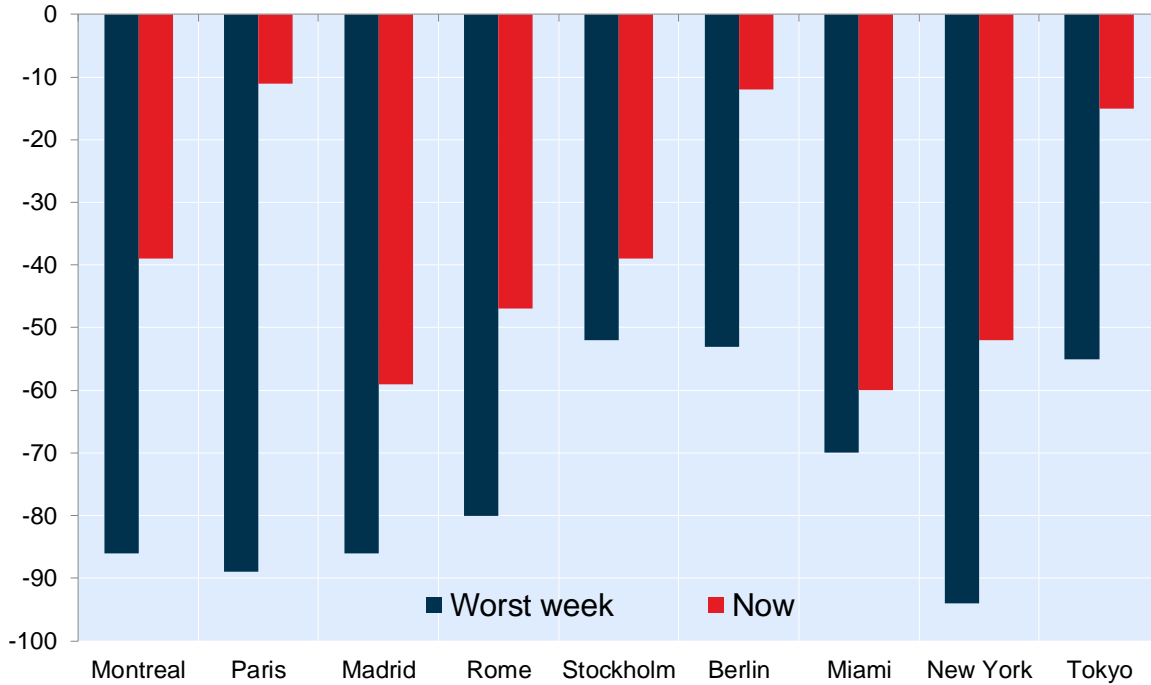
COVID-19 (as of July 8)



NBF Economy and Strategy (data via CDC, Census Bureau)

## 22. World: Perspective on traffic

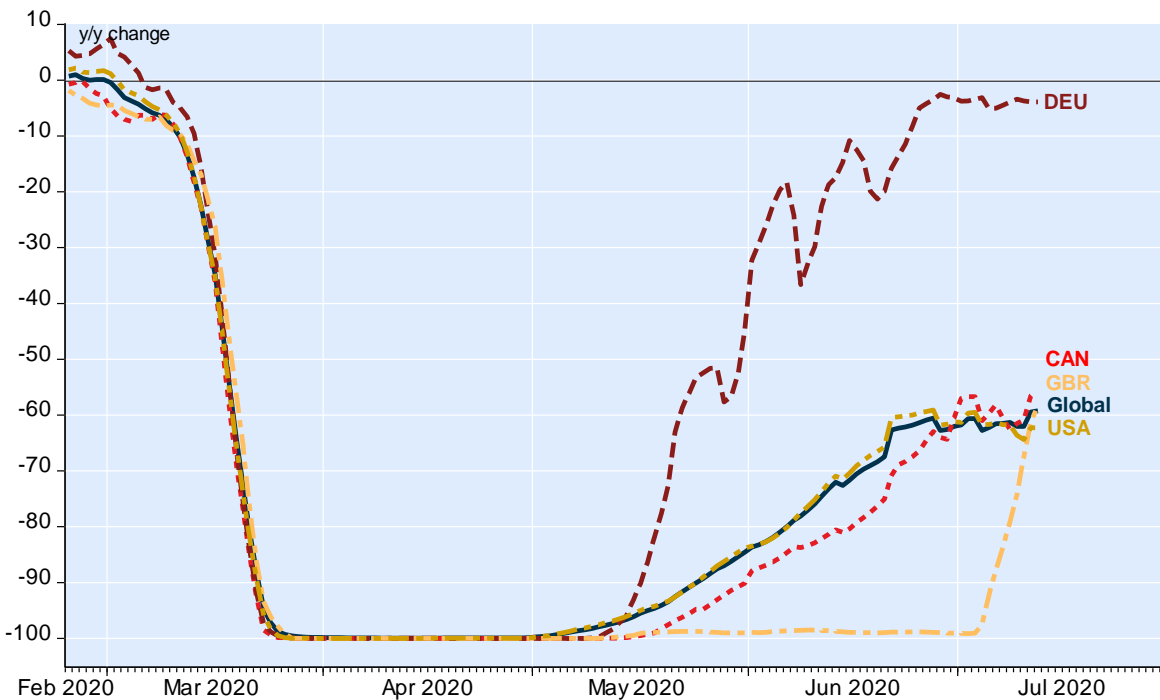
Difference in congestion level vs 2019, 7 day moving average (last obs.: July 6-12)



NBF Economics and Strategy (data via Tom Tom Traffic)

## 23. World: Perspective on restaurant reservations

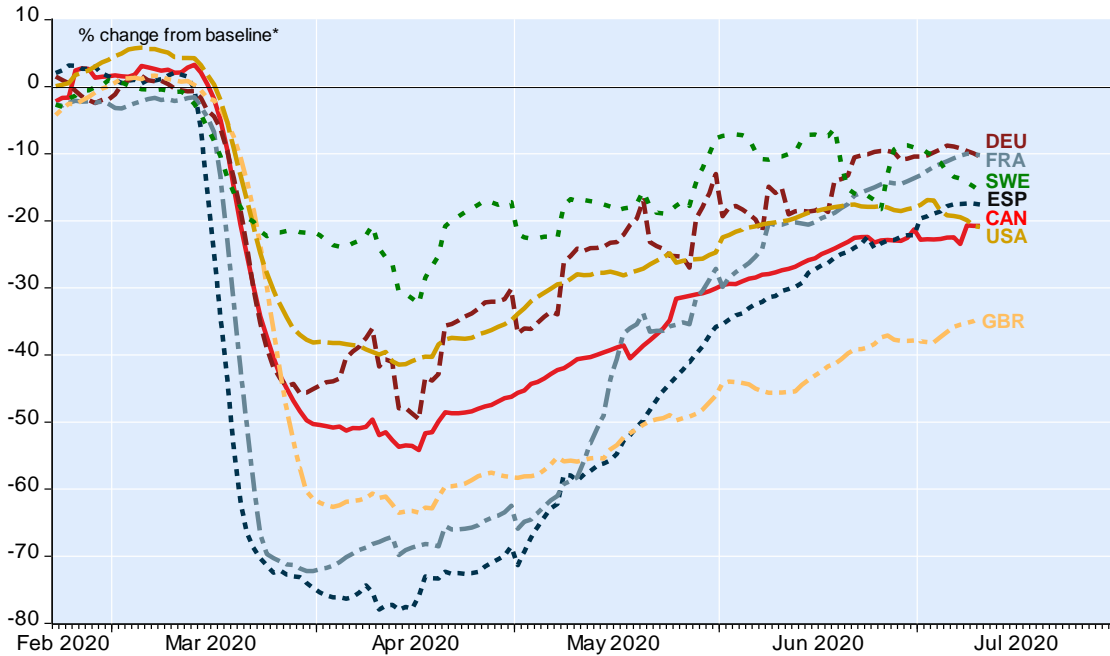
Year over year change in restaurant reservations, 7 day moving average (last obs.: July 12)



NBF Economics and Strategy (data via Open Table)

**24. World: Back to normal index**

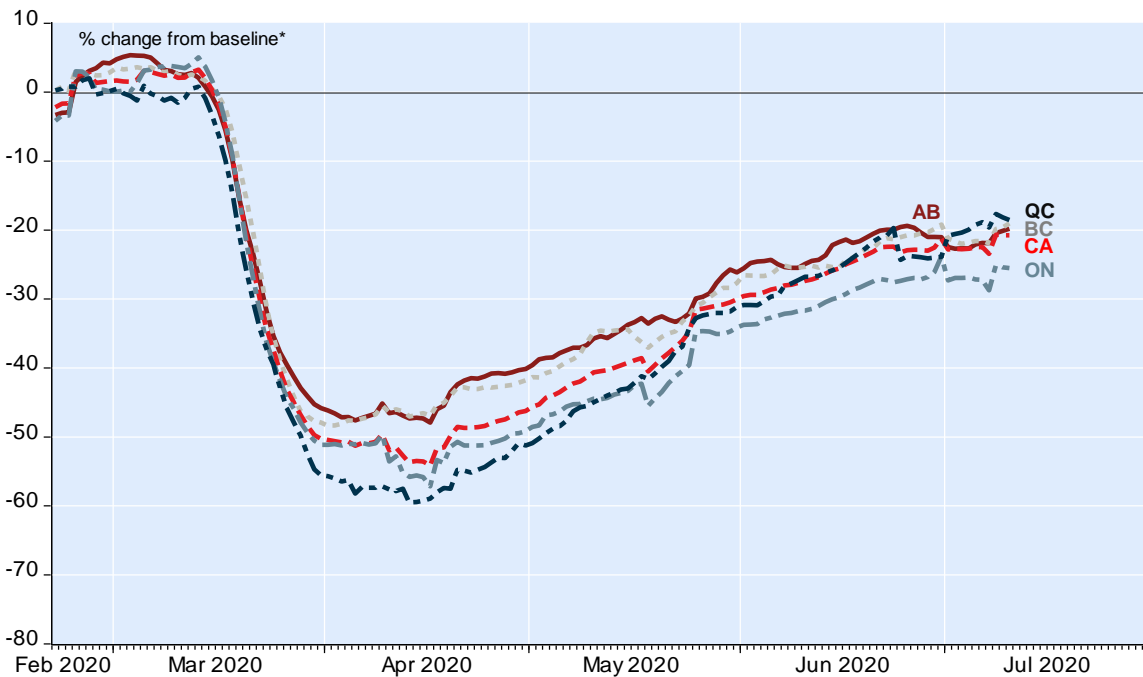
Google mobility data for retail & recreation, grocery & pharmacy, transit and workplaces, 7-day mov. average



\*The baseline is the median value of the corresponding day of the week during the 5 week period from January 3 to February 6  
NBF Economics and Strategy (data via Google)

**25. Canada: Back to normal index**

Google mobility data for retail & recreation, grocery & pharmacy, transit and workplaces, 7-day mov. average

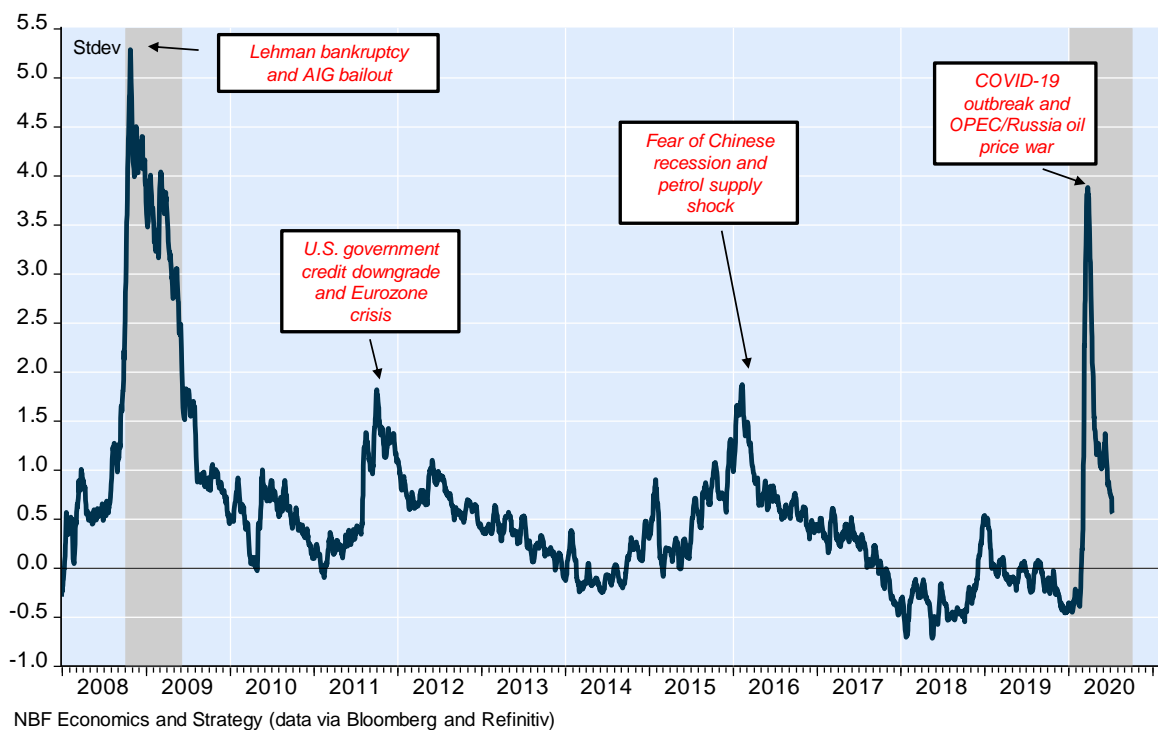


\*The baseline is the median value of the corresponding day of the week during the 5 week period from January 3 to February 6  
NBF Economics and Strategy (data via Google)



## 26. Canada: Perspective on financial stress

NBF financial stress index



Our Canadian financial stress index (FSI) covers several asset classes. It emphasizes the financial sector, given its role in allocating capital to households and businesses. Our composite index is constructed based on a factor analysis model detecting common variations of normalized indicators. See below the variables included in the FSI.

### NBF Financial Stress Index for Canada

Variables	Estimation
Beta S&P/TSX financials	$\beta = \text{cov}(r,m)/\text{var}(m)$ calculated daily over a rolling 1- year time horizon, where $r$ = daily percentage change in the S&P/TSX Financials Total Returns Index. $m$ = daily percentage change in the S&P/TSX Total Returns Index.
Financials bond yield spread	Approximated by the AA-rated long-term corporate bond yield, of which most constituents are financial issuers, minus the 10-year Canadian government bond yield.
S&P/TSX equity risk premium proxy	The S&P/TSX 12-month forward earnings divided by the price of the index minus the 10-year Canadian government bond yield.
S&P/TSX historical 1-month volatility	1-month historical volatility of the S&P/TSX.
USD/CAD historical 1-month volatility	1-month historical volatility of the USD/CAD exchange rate.
BBB rated corporate bond yield spread	BBB rated long-term corporate bond yield minus the 10-year Canadian government bond yield.
Provincial spread	Long-term provincial government bond yield minus the 10-year Canadian government bond yield.

Source: NBF Economics and Strategy (data via Bloomberg and Refinitiv)

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Jul 16	FI	Economics & Strategy	Montreal, Virtual 1-1's	Marion
Jul 16, 20-21 & 23		<b>Bank of Nova Scotia</b> <i>Jake Lawrence, Co-Group Head, Global Banking and Markets</i> <i>James Neate, Co-Group Head, Global Banking and Markets</i> <i>Phil Smith, SVP IR</i>	Virtual 1-1's	Dechaine
Jul 20-21 & 23		Merchandising & Consumer Products	Virtual 1-1's	Shreedhar
Jul 20-24		Transportation & Industrials	Virtual 1-1's	Doerksen
Jul 21-23		Technology	Virtual 1-1's	Tse
Jul 27	FI	Merchandising & Consumer Products	Virtual 1-1's	Shreedhar
Jul 29	11:00 a.m.	TFI International Inc.	Conf. Call	Doerksen
Jul 29-31		<b>Golden Star Resources Ltd.</b> <i>Andrew Wray, CEO</i> <i>Graham Crew, COO</i> <i>Paul Thomson, CFO</i> <i>Michael Stoner, IR &amp; Business Development</i>	Virtual 1-1's	DeMarco
Aug 4-6		<b>Centerra Gold Inc.</b> <i>Scott Perry, CEO</i> <i>John Pearson, VP IR</i>	Virtual 1-1's	Parkin
Aug 5	11:00 a.m.	<b>CanWel Building Materials Group Ltd.</b> <i>Amar Doman, Chairman &amp; CEO</i> <i>James Code, CFO</i>	Conf. Call	Sytchev
Aug 5		<b>Copper Mountain Mining Corp.</b> <i>Gil Clausen, President &amp; CEO</i> <i>Letitia Wong, VP Corporate Development &amp; IR</i>	Virtual 1-1's	DeMarco
Aug 6		<b>Docebo Inc.</b> <i>Ian Kidson, CFO</i>	Canada, Virtual 1-1's	Tse
Aug 7		<b>Docebo Inc.</b> <i>Claudio Erba, President and CEO</i> <i>Ian Kidson, CFO</i>	Canada, Virtual 1-1's	Tse
Aug 12-13	FI	Economics & Strategy	New York, Virtual 1-1's	Marion

Aug 17		<p><b>Jamieson Wellness Inc.</b>  <i>Mark Hornick, President &amp; CEO</i>  <i>Chris Snowden, CFO</i>  <i>Ruth Winker, Director, Corporate Communications</i></p>	Montreal, Virtual 1-1's	Leno
Aug 19-21		<p><b>Economics &amp; Strategy</b></p>	Montreal, Virtual 1-1's	Marion
Sept 2	9:00 a.m.- 4:50 p.m.	<p><b>NBFM 8<sup>th</sup> Annual Energy Conference</b>  <u><i>Participating companies:</i></u>  <i>ARC Resources, Cenovus Energy, Crescent Point Energy, Enerflex, Enerplus, Gibson Energy, Husky Energy, Inter Pipeline, Imperial Oil, Keyera, National Energy Services, Parex Resources, Pembina Pipeline, Precision Drilling, SECURE Energy Services, Seven Generations Energy, Shawcor, Superior Plus, Tidewater Midstream &amp; Infrastructure, Vermilion Energy, Whitecap Resources + more</i></p>	Virtual Conference + 1-1's	Colman / Hunt / Kenny / Payne / Wood

## A power move

Charts are courtesy of Refinitiv priced as July 15, 2020

### Boralex Inc. (BLX) - \$34.85



- An upside breakout at \$32.00 on BLX takes the chart out of a six-month base into new highs.
- Volume on the breakout is just starting come in.
- A positive trend has further confirmation of playing out to the upside.
- Good support comes into play around \$30.00.
- Bullish relative strength supports the rising trend.
- Target is \$38.00 to \$40.00.

For required disclosures, please refer to the end of the document.

## Innergex Renewable Energy Inc. (INE) - \$20.97



- A rising trend on the INE chart extends further with the recent upside breakout at \$20.20.
- An upside breakout at \$20.20 broke the chart out of a tight four-month base.
- Strong upside momentum supports higher prices.
- Target is \$24.00 to \$25.00.



## TransAlta Renewables Inc. (RNW) - \$14.47



- RNW remains the laggard in the sector as prices remain locked in a trading range.
- The break of trend in early March was a game changer.
- The rebound off the March lows saw its best days in April.
- Relative performance is negative.
- Support resides at \$13.60.
- The chart needs to break out across resistance at \$15.60 to get things going on the upside.

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July 15, 2020

## First Majestic Silver Corp.

FR / AG (TSX; NYSE): C\$14.24; US\$10.45

Stock Rating: Sector Perform

Target: C\$16.00

### Updated Guidance Shows AISC Edging Higher vs NBF

H2/20 AISC Midpoint at US\$11.53/oz Ag (vs. NBF US\$10.72/oz)

FR released Q2/20 operational results and updated 2020 guidance to reflect changes after the recent mine suspensions. Overall we ascribe a negative bias as higher AISC guidance offset capex spending deferrals and strong production performance in Q2/20.

**Q2/20 production better-than-expected.** Q2/20 production of 1.8mln oz Ag (NBF 1.0mln oz Ag), down -42% q/q but better-than-expected on outperformance from San Dimas with production of 1.1mln oz Ag (vs. NBF 0.5mln oz Ag) as higher throughput factored.

#### Updated Guidance Shows AISC Edging Higher in H2/20 vs. NBF, Lower vs Previous Guidance

- H2/20 production guidance at 6.1-6.6mln oz Ag, midpoint 6.4mln oz Ag (NBF 6.5mln oz Ag), substantially in line.
- H2/20 AISC now US\$10.57-12.49/oz Ag, midpoint US\$11.53/oz Ag (NBF US\$10.72/oz Ag) +8% higher than NBF with Santa Elena midpoint at US\$7.59/oz (NBF old US\$3.36/oz) accounting for the increase and offsetting San Dimas midpoint at US\$5.64/oz (NBF US\$7.48/oz). FR reports higher AISC vs NBF despite a lower MXN peso and higher by-product prices. On a FY2020 basis, AISC midpoint of US\$12.87/oz is down -11% versus original FY2020 guidance of US\$14.42/oz Ag (withdrawn April 3rd), yet difficult for us to compare FY20 in Jan vs FY20 released today given different metal prices, fx rates, and Q1/20 AISC already reported, so we relied on comparison to our estimates. We'll look for details on call at 11 a.m. EDT.
- FY/20 capex now US\$131.8 mln (NBF US\$145 mln), -9% lower with reduced U/G development and exploration plus deferral of San Dimas HIG to Q2/21 (was H2/20) and Santa Elena LNG plant to Q1/21 (was Q4/20). FR also announced the Ermitano PFS was deferred to H1/21 (was Q4/20) with initial production now mid-2021 (NBF old ~early 2021).

**Maintaining Sector Perform rating and \$16.00 target.** Costs and cash balance to be reported with Financials on Aug 6. Conference call today at 11 AM EST (Dial-in 1-800-319-4610). Trading at P/NAV 2.37x (vs PAAS 2.02x) and P/CF21 12.9x (vs cons peers 9.6x). Our target is based on 12.0x EV/EBITD F2YA.

**Figure 1: Q2/20 Production of 1.8mln oz Ag (vs NBF 1.0mln oz Ag) Better-Than-Expected During Covid Suspensions.**

Consolidated	Q2/20	Q1/20	Q4/19	Q3/19	Δ Q/Q		Q2/20E	Δ vs NBF	
Ag production (mln oz)	1.8	3.2	3.3	3.4	-1.3 ↓	-42%	1.0	0.8 ↑	75%
AgEq production (mln oz)	3.5	6.2	6.2	6.6	-2.7 ↓	-43%	2.2	1.3 ↑	62%
<b>Ore processed (k t)</b>	<b>Q2/20</b>	<b>Q1/20</b>	<b>Q4/19</b>	<b>Q3/19</b>	<b>Δ Q/Q</b>		<b>Q2/20E</b>	<b>Δ vs NBF</b>	
San Dimas	114	200	182	174	-86 ↓	-43%	58	56 ↑	96%
Santa Elena	90	178	197	229	-88 ↓	-50%	75	15 ↑	19%
La Encantada	130	221	221	192	-92 ↓	-41%	77	53 ↑	69%
<b>Grade (g/t Ag)</b>	<b>Q2/20</b>	<b>Q1/20</b>	<b>Q4/19</b>	<b>Q3/19</b>	<b>Δ Q/Q</b>		<b>Q2/20E</b>	<b>Δ vs NBF</b>	
San Dimas	318	280	305	315	38 ↑	14%	310	8 ↑	3%
Santa Elena	83	102	105	95	-19 ↓	-19%	93	-10 ↓	-11%
La Encantada	158	165	176	176	-7 ↓	-4%	165	-7 ↓	-4%
<b>Recovery (%)</b>	<b>Q2/20</b>	<b>Q1/20</b>	<b>Q4/19</b>	<b>Q3/19</b>	<b>Δ Q/Q</b>		<b>Q2/20E</b>	<b>Δ vs NBF</b>	
San Dimas	94%	93%	93%	93%	1% ↑	1%	93%	1% ↑	1%
Santa Elena - U/G	92%	94%	94%	91%	-2% ↓	-2%	94%	-2% ↓	-2%
La Encantada	78%	79%	79%	82%	-1% ↓	-1%	72%	6% ↑	8%

Source: Company Reports, NBF Estimates

**Figure 2: H2/20 Guidance 6.1-6.6mln oz Ag (NBF old 6.5mln oz Ag), Substantially in Line. AISC now US\$10.57-12.49/oz Ag (NBF old US\$10.72/oz Ag) +8% Higher than NBF and Lower than Previous FY2020 Guidance of US\$14.12/oz Ag.**

	H2/20		H2/20	Δ
Production	Range	Mid	NBF	vs NBF
<b>Ag (mln oz)</b>				
San Dimas	3.3 - 3.6	3.5	3.5	-2%
Santa Elena	1.1 - 1.2	1.2	1.3	-10%
La Encantada	1.7 - 1.8	1.8	1.8	0%
<b>Consolidated</b>	<b>6.1 - 6.6</b>	<b>6.4</b>	<b>6.5</b>	<b>-3%</b>
<b>Au (k oz)</b>				
San Dimas	42 - 47	45	45	-2%
Santa Elena	16 - 18	17	17	-2%
<b>Consolidated</b>	<b>58 - 65</b>	<b>62</b>	<b>63</b>	<b>-2%</b>
<b>All-In Sustaining Cost (US\$/oz Ag)</b>				
San Dimas	4.72 - 6.55	5.64	7.48	-25%
Santa Elena	6.75 - 8.43	7.59	3.36	126%
La Encantada	12.82 - 13.75	13.29	12.44	7%
<b>Consolidated</b>	<b>10.57 - 12.49</b>	<b>11.53</b>	<b>10.72</b>	<b>8%</b>

Source: Company Reports, NBF Estimates

**Figure 3: FY Capex Guidance US\$131.8mln (NBF old US\$145mln), -9% Lower than NBF, Factoring Q2/20 Spend, Lower U/G Development and Exploration and Deferral of Expansion Projects**

	2020G		2020	Δ	Δ
Capex	New	Old	NBF	New/Old	vs NBF
Sustaining	45.7	52.6	50.0	-13%	-9%
Development	86.1	118.9	95.2	-28%	-10%
<b>Total</b>	<b>131.8</b>	<b>171.5</b>	<b>145.3</b>	<b>-23%</b>	<b>-9%</b>

Source: Company Reports, NBF Estimates

Additional Company related disclosures for First Majestic Silver Corp.

An NBF analyst attended a site visit of the Santa Elena Mine in Sonora, Mexico on October 7 and 8; 2019. A portion of the analyst's travel expenses were paid for by the issuer.

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July 15, 2020

## Fortuna Silver Mines Inc.

FVI / FSM (TSX; NYSE): C\$6.96; US\$5.12

Stock Rating: Sector Perform

Target: C\$7.25

### Weak Q2/20 as Expected

Neutral Bias

This morning, Fortuna announced Q2 operational results, showing a weak Q2 as expected given COVID-related suspension at its flagship San Jose mine. 2020 guidance was withdrawn on April 2<sup>nd</sup> and updated guidance to be provided at a later time. Salient highlights of today's update include:

- **Production misses**, at 1.3mln oz Ag (NBF 1.4mln), down 29% q/q and 10% below our estimate, as Q2 included 54-day suspension at San Jose in Mexico (Apr 2 - May 25).
- **San Jose cash costs** of \$66/t (NBF \$69/t) in line with our expectations. TCC or AISC were not reported and tend to be more variable than costs per tonne.
- **No Lindero updates** and we continue to expect commercial production Q1/21. Balance sheet risks were alleviated with the \$69 mln equity raise announced May 11, and as at ~May 20, FVI had remaining Lindero spend of ~\$75-80 mln capex (vs. ~\$154 mln liquidity).

**Maintaining Sector Perform and \$7.25 target.** If FVI can execute as planned, we model FCF of ~\$250 mln and yield of 27% in 2021 at spot prices, with discounted valuation with P/NAV of 1.22x (PAAS 2.02x, FR 1.62x) and P/CF21 4.1x (peers 10.9x), yet track record at Lindero and Argentina FX/capital controls risk factor into our Sector Perform rating. Our target is based on ~5x EV/EBITDA NTM.

**Figure 1: Production of 1.3mln oz Ag (NBF 1.4mln oz), Factoring in 54-Day Shutdown at San Jose.**

<b>Consolidated</b>		<b>Q2/20A</b>	<b>Q1/20A</b>	<b>Q4/19A</b>	<b>Q3/19A</b>	<b>Δ Q/Q (%)</b>		<b>Q2/20E</b>	<b>Δ vs NBF</b>	
Ag production	mln oz	1.3	1.8	2.3	1.9	-0.5	↓ -29%	1.4	-0.1	↓ -10%
Au production	k oz	7.1	10.1	12.3	11.4	-3.0	↓ -30%	7.3	-0.2	↓ -3%
AgEq production*	mln oz	1.8	2.5	3.1	2.8	-0.7	↓ -29%	1.9	-0.2	↓ -8%

\*AgEq production does not include Pb or Zn and is calculated using an Ag/Au ratio of 72:1 for Q4/18 onwards

\*\* per oz of Ag payable

<b>Mine-by-Mine</b>		<b>Q2/20A</b>	<b>Q1/20A</b>	<b>Q4/19A</b>	<b>Q3/19A</b>	<b>Δ Q/Q (%)</b>		<b>Q2/20E</b>	<b>Δ vs NBF</b>		
<b>San Jose (100%)</b>											
Ore milled, tonnes	kt	160.2	246.8	273.1	268.0	-86.7	↓ -35%	177.0	-247	↓ -10%	
Ore milled, tpd	tpd	1,799	2,837	3,034	3,045	-1,038	↓ -37%	1,967	-168	↓ -9%	
Ag grade	g/t	220	216	249	219	4	↑ 2%	223	-3	↓ -1%	
Ag recovery	%	91%	92%	91%	91%	-1%	↓ -1%	92%	-1%	↓ -1%	
Au grade	g/t	1.42	1.33	1.50	1.40	0.07	↑ 7%	1.39	0.03	↑ 2%	
Au recovery	%	91%	92%	91%	91%	-1%	↓ -1%	91%	0%	▬ 0%	
Ag production	mln oz	1.0	1.6	2.0	1.7	-0.5	↓ -34%	1.2	-0.1	↓ -11%	
Au production	k oz	6.7	9.6	11.9	10.9	-3.0	↓ -31%	7.2	-0.5	↓ -8%	
Cash cost	US\$/t	66.0	71.1	70.2	70.8	-5.1	↓ -7%	69.1	-3.1	↓ -4%	

<b>Caylloma (100%)</b>											
Ore milled, tonnes	kt	134.2	132.7	133.3	134.3	1.4	↑ 1%	133.5	1	↑ 1%	
Ore milled, tpd	tpd	1,525	1,491	1,481	1,493	34	↑ 2%	1,483	42	↑ 3%	
Ag grade	g/t	72	70	71	64	2.0	↑ 3%	67	5	↑ 7%	
Ag recovery	%	79%	84%	82%	82%	-5%	↓ -5%	87%	-8%	↓ -9%	
Au grade	g/t	0.25	0.24	0.19	0.25	0.04	↑ 4%	0.20	0.05	↑ 25%	
Au recovery	%	42%	46%	36%	47%	-10%	↓ -10%	15%	27%	↑ 180%	
Ag production	k oz	244.9	249.1	249.3	228.2	-4.2	↓ -2%	250.2	-5.3	↓ -2%	
Au production	k oz	0.45	0.47	0.29	0.49	-0.03	↓ -6%	0.13	0.3	↑ 246%	
Cash cost	US\$/t	74.3	80.8	85.9	93.0	-6.5	↓ -8%	85.7	-11.4	↓ -13%	

Source: Company Reports, NBF Estimates

**Additional Company related disclosures for Fortuna Silver Mines Inc.**

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**Additional Company related disclosures for First Majestic Silver Corp.**

An NBF analyst attended a site visit of the Santa Elena Mine in Sonora, Mexico on October 7 and 8, 2019. A portion of the analyst's travel expenses were paid for by the issuer.



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July 15, 2020

## Innergex Renewable Energy Inc.

INE (TSX): C\$20.87

Stock Rating: Outperform

Target: C\$22.50

### Accretive acquisition of six operating wind farms in the United States for ~\$77 mln

#### *Acquisition adds 138 MW to INE's installed capacity*

INE has completed the acquisition of all Class B shares of six operating wind farms ("Mountain Air Acquisition") in Elmore County, Idaho, in the U.S. for a purchase price of \$77.3 mln from Terna Energy SA. The portfolio adds a total of 138 MW to INE's existing installed capacity with six wind farms rated at 23 MW each.

The Class B shares acquired by INE should provide >\$8 mln of cash immediately available for distribution, equivalent to 62.25% of the project free cash flows. Note that the Class A shares remain the property of the tax equity partner and an existing \$151.3 mln long-term non-recourse project-level financing agreement (amortizing over the next 12 years) remains in place.

INE forecasts 331#GWh/year of generation (the LTA), \$28.7 mln in projected adjusted EBITDA (consolidated) for 2021E and a net \$8.3 mln in cash distributions to INE following cash distributions to the tax equity partner.

#### *Assets are healthy with a PPA life of 12.5 years*

The wind farms were fully commissioned in December 2012 and are equipped with a total of 60 Siemens Gamesa 2.3 - 101 model wind turbines that are all connected to a common substation. All the turbines are under a full scope Service Maintenance Agreement and have PPAs in place with the Idaho Power Company, a power utility rated BBB by Standard & Poor's, for 100% of their capacity over a remaining period of ~12.5 years.

#### *Accretive acquisitions and provides >10% cash on cash yield to reduce payout*

We believe this a good acquisition for INE at an attractive EV/EBITDA multiple of ~9.6x and cash on cash yield of ~10.7%, which could support a 5% reduction to INE's payout ratio next year. The deal diversifies INE's operations (this is its first wind farm in the West) and gives INE more exposure to the US market, where potential policy proposals should support further development and the terminal value of existing assets (if elected, Joe Biden could call for \$2 trillion in spending on clean energy over four years and a move to zero emission power by 2035). Further, INE already has a hydro asset in Idaho which should provide some operating synergies.

Recall that INE has six projects in construction and advanced development (total of 369 MW gross) and almost 1,000 MW of solar and wind projects in the U.S. that could be built in the next three years, backed by tax equity. Organic growth projects in the U.S. typically have back-end loaded cashflow while M&A, like this transaction, typically helps realize high cash-on-cash yields. With that we believe INE could focus on funding M&A and greenfield growth with capital recycling, to maintain a healthy balance between payout, duration and accretion.

Note that the Mountain Air Acquisition is the second of the two potential acquisitions (the first was a 68 MW solar project in Chile worth \$93 mln) announced by INE following Hydro-Québec's private placement. With the use of the proceeds for both acquisitions less than earlier anticipated, because INE only acquired one class of the total shares for the Mountain Air acquisition, we believe INE could use the remaining proceeds from HQ's to target a third deal soon.

**Our target is based on a long-term DCF with a cost of equity of 6.00% on operating assets and \$2.50/sh of growth.**

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July 15, 2020

## Kinross Gold Corp

**K / KGC (TSX; NYSE): C\$10.52; US\$7.73**

**Stock Rating: Outperform**

**Target: C\$12.00**

### 6.4 Moz of Reserves Declared at Lobo-Marte

This morning before markets opened, Kinross announced the results of its Lobo-Marte Pre-feasibility study (PFS). Lobo-Marte is located in Chile and is contemplated as an open-pit heap leach project to come online as the La Coipa mine ramps down. Overall, the study has shown promising results and allowed for 6.4 Moz of gold to be added to reserves, boosting the company's reserve life index by about 2.5 years, which by our estimates would place it in line with the senior average.

The Lobo-Marte project contemplates 4.5 Moz of production over a 15-year mine life (12 years of mining plus 3 years of residual leaching), for an average annual production rate of 300 koz per year and average AISC of US\$745/oz. Overall grades are 1.35 gpt with recoveries of 71%, and the LOM strip ratio is stated as 2.2:1. The project would commence after the La Coipa Phase 7 mine life has finished (~2025), as the two projects are located 50 km from one another which provides synergies as resources from one are fed into another. Capital spending for the La Coipa restart project is currently underway, with the deposit scheduled to be mined from 2022-2024. Thus, the Lobo-Marte PFS estimates a production start in 2025. The capital cost is estimated at US\$995 mln, which contains US\$230 mln of contingencies. At US\$1,500/oz gold and 800 CLP/USD, the project delivers a 14% IRR and US\$770 mln NPV based on a 5% discount rate calculated from January 2024. At Kinross's reserve price of US\$1,200/oz, this drops to a 7% IRR with an NPV of US\$150 mln. Thus, in our view, the project is at a low risk of proving negative on an investment basis and given its long life could capture the next bull gold cycle. Later this year, Kinross expects to commence a full feasibility study (FS) for Lobo-Marte, with results expected in 4Q21. We would also note that Kinross tends to guide on the conservative side, most recently evidenced by the Tasiast Phase 1 expansion project, which was to deliver a 12ktpd operation, but today is running closer to 16ktpd for the same initial investment. Thus we believe there is upside to these stated figures. The FS would contain the detailed engineering required to begin permitting and submission of the Environmental Impact Assessment. We currently value Lobo-Marte at C\$563 mln (C\$0.44/share), which makes up 3.5% of our Kinross NAV estimate.

We derive our C\$12.00 target price for Kinross from a 100% weighted 5.5x 2021 EV/EBITDA multiple, which implies a P/ NAV multiple of 1.00x. As of yesterday's close, Kinross was trading at 5.8x and 5.3x our 2020 and 2021 estimates on an EV/EBITDA basis, respectively, and 0.86x NAV on a cash-adjusted basis. Our 2021 EBITDA, and therefore target price, assumes a gold price of US\$1,725/oz, about US\$80/ oz below spot. We continue to view Kinross as a Top Pick in our coverage universe.

#### Additional Company related disclosures for Kinross Gold Corp

National Bank Financial Inc. has acted as an underwriter with respect to Kinross Gold Corp within the past 12 months.

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## Minera Alamos Inc.

MAI (TSXV): C\$0.54

Stock Rating: Outperform

Target: C\$0.70

Risk Rating: Speculative

## Santana Development Remains on Schedule for Year-End Completion

This morning before market open, Minera Alamos provided a construction update at its Santana project in Sonora, Mexico, and it remains on schedule for completion around year end. Given development was effectively halted from April to June, the pace of development since has been impressive.

### Construction Update

The critical element is the heap leach pad construction and the pad area have been cleared with clay to be placed before the pad liner will be installed (*see Figure 1*). The explosives storage bunker has been completed for some time but still requires a final inspection from the Mexican authorities before the explosives permit can be issued, the most significant permit outstanding prior to production.

We like the fact that management has chosen a contractor that they are familiar with for the earthworks and development of the heap pad, as they had worked together in the construction of the El Castillo mine while with Castle Gold. For the plant construction, the carbon columns have been installed, and now erection of the steel structures has commenced.

### Board Appointment

The company also announced the appointment of Kevin Small to the board of directors, expanding the board to three independent directors and five directors in total. Mr. Small is the President and CEO of Jerritt Canyon Gold, which produces 120-160koz of gold annually via a 4,000tpd operation including a CIL plant and a roaster. He was previously the director of mine operations at the Beta Hunt mine in Western Australia and was Mine Manager of the Taylor mine in Ontario.

### Outlook and Valuation

The company is undertaking a Phase 3 drilling program (6,000-7,500 metres) at Santana, and we believe that it could show potential for a second pit to be developed. The completed Phase 2 program showed significant grades well above cut-off over impressive widths, and we think that the upcoming drill results will act as a catalyst for the stock. Additionally, as the project advances towards first gold pour which we expect in 1Q21, the stock should re-rate to trade closer to the junior producer average of ~1.0x. The stock is currently at 0.76x NAV, and we base our one-year target price on a 1.0x NAV multiple, which we view as conservative since our NAV is based on limited growth beyond the currently outlined pit for development.

**Figure 1: Heap Leach Pad Construction at Santana**



**Source: Company press release**

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July 15, 2020

## Sienna Senior Living Inc.

SIA (TSX): C\$9.56

Stock Rating: Outperform

Target: C\$13.00

### Positive progress on COVID containment, additional operations support from new team of experts

#### *SIA provides update on progress of its Six-Point Action Plan...*

SIA announced continued progress clearing COVID cases from its network this morning. We are pleased to see that the number of residences in outbreak and the overall number of cases is now trending down into the single digits. After sustained share price pressure, we expect that this positive momentum could help catalyze the stock in a positive direction. For the entire seniors housing group of stocks (SIA, CSH.un & EXE), we believe the improving trajectory of infection control in the general population will help improve concerns around long-term care operations, and the recommencement of move-ins should help alleviate occupancy concerns in the retirement business.

#### *COVID infection trajectory trending down...*

As of July 14, SIA had three LTC residences in outbreak, with only six active COVID-19 cases. This is down from nine total residences (five in LTC) in outbreak as of June 24, when SIA provided its last update (see our note [here](#)). There are six total active cases of COVID-19 (including resident and staff).

#### *Hiring consultants to strengthen SIA's protocols and procedures...*

SIA also announced it has engaged three healthcare experts to consult SIA on reviewing and strengthening SIA's protocols and procedures. These include preparing for potential future outbreaks, as well as enhancing engagement among SIA's residents, caregivers and resident families.

- **Dr. Andrea Moser, Chief Medical Consultant:** Dr. Moser recently co-developed a LTC Medical Director Curriculum for Ontario, with a focus in quality improvement. Dr. Moser will provide advice to SIA on how it can improve its medical and physician practices and policies.
- **Dr. Allison McGeer, Chief Infection Prevention and Control Consultant:** Dr. McGeer is an infection control specialist, with a research interest in the prevention of infection in hospitals and LTC homes. Dr. McGeer will advise SIA on its recovery from the initial wave of COVID-19 and the preparation for potential future outbreaks.
- **Mary Jane Dykeman, consultant:** Ms. Dykeman specializes in healthcare risk management; mental health, consent, capacity and substitute decision-making; and family and caregiver engagement. Ms. Dykeman will work with SIA to develop a best in class resident/caregiver engagement program.

#### *Filling out senior leadership team...*

SIA promotes Nancy Webb to Senior VP, Public Affairs and Marketing. SIA had previously strengthened its senior leadership team with the promotion of a new CFO and Executive VP of LTC (see our note [here](#)). SIA is now promoting Ms. Webb to oversee SIA's public relations and communications strategy, as well as its retirement operations branding and marketing efforts.

## ***Valuation & recommendation***

SIA shares are rated **Outperform**, with a **\$13.00 target**. Our \$13.00 target price is based on a -23% discount to our NAV one year out, translating to 9.3x our F2021E AFFO/u, close to the peer average based on SIA's increasingly favourable asset mix, growth prospects and leverage.

### **Additional Company related disclosures for Sienna Senior Living Inc.**

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July 15, 2020

**ON government announces enhancements to the LTC development formula: more details to come...**

## Ontario announces new \$1.75 bln funding model for the redevelopment of LTC facilities

In Ontario, older beds need redevelopment, and the province needs to build new capacity as the population ages. As a reminder, in Ontario, roughly 40% of the province's LTC beds are categorized as Class C beds and require renovation to a more modern standard by 2025 (though we believe operating licenses for existing Class C beds will eventually be extended beyond this timeframe). Additionally, there are currently more than 38,000 people on the waitlist for a long-term care bed in the province (ON currently has ~78,000 beds in service). Class C LTC homes have seen the most challenges during the pandemic, as they were designed in line with older standards and 3-4 person wards, making containment of COVID-19 difficult.

Today, the ON government announced a new funding model, aimed to accelerate the redevelopment of LTC beds up to modern standards. Over the next five years, the ON government plans to invest \$1.75 bln into the redevelopment of LTC homes, with the goal of developing 8,000 new LTC beds and redeveloping 12,000 more. While full details are yet to be announced, the province has provided a broad overview of what the new funding model will be. Without more specific details, it is hard for us to say what future development returns on these projects will be, but the changes would suggest that it will likely make the return prospects more appealing in the most urban and most rural markets in Ontario. The ON government is still poised to conduct a full review of the LTC system, so there could be further changes to the development formula in the future (along with some likely tweaks to the regular operating funding), but the fact the government has made a limited shift to a new formula already suggests that despite the challenges experienced in the system during this pandemic, the ON government remains committed to having private operators play a role in the future growth of long-term care in the province (i.e., a "radical" overhaul of how the system works does not appear highly likely). Here are a few thoughts around the key elements in today's announcement:

- **The new funding model will categorize funding for redevelopment projects by geographic location and home size.** Projects will be categorized as: large urban, urban, mid-size and rural. An increase to the province's construction funding subsidy will be tailored based on each project's fit within these categories. The province believes this will help reduce previous hurdles to redevelopment, as under the previous model, operators received the same level of funding, regardless of location (which has a significant impact on cost and returns as urban redevelopment can be significantly more expensive than suburban markets where land is more readily available). The construction funding subsidy is a per bed per day funding amount, provided to eligible LTC homes, once they have completed a LTC infrastructure project.
- **The Ontario government will provide development grants, in addition to construction funding subsidies, equal to 10-17% of project costs.** The size of the development grant in proportion to the project cost will depend on the regional category. The grant will fund upfront costs such as development charges, land costs and other construction expenses. This should be helpful for operators, as some upfront funding will help operators de-risk the project before finding capital to complete the project. It should also help reduce the investment drag on returns while operators specify a new project and put it into construction.
- **Increased funding to incentive the construction of basic accommodation.** It is not clear how much this funding will be increased. Additionally, the ON government will be continuing top-ups for small and medium-sized homes. Based on the language in the release, it would appear that basic accommodations still have high demand, but the existing funding framework often incentivized developers to maximize the number of premium beds in the facility (which come with higher accommodation premiums earned by the operators) to drive acceptable returns on capital. Boosting the funding for basic accommodation should help get the type of suites better matched to demand, while driving acceptable capital returns.
- **The province will also help provide administrative assistance.** The province will help provide assist to small rural operators in navigating the high cost of development, while ensuring larger urban centers can secure the loans and real



estate they require. It is not clear exactly how the province intends to do this. We are interested to see what form this support can take. For instance, is there a conversation with the federal government/CMHC and the provinces that would allow for LTC developers to qualify for CMHC-insured financing? The fact that retirement residences can qualify for CMHC-insured financing, yet LTC projects cannot in Ontario, has been a "head-scratcher" for us and a seemingly obvious way to improve access to cost-effective capital for these projects. We also suspect that some assistance with zoning and planning could be expedited by the province as well (since that is entirely within its jurisdiction).

- **Long-term care projects that have been approved dating back to 2018 will be eligible for the new funding model.** This means projects approved by the current ON government will still benefit from the new formula.
- **In addition, the province will be updating its long-term care regulations and design standards so that all new and redeveloped beds will have air conditioning.** This was not previously required and the ON government will dedicate funding to ensure that all new or redeveloped homes have air conditioning. The recent heatwave in Ontario appears to have made this a hot button issue for the provincial government.

## LTC mix varies among the seniors housing operators...

As a reminder, we highlight the NOI split of private-pay retirement residences and government-funded long-term care below for each company (based on Q1 results):

- **CSH** - 90% of NOI comes from retirement and 10% of NOI from LTC. CSH has 577 Class C beds;
- **SIA** - 44% of NOI comes from retirement residences and 56% of its NOI from long-term care. SIA has approximately 2,200 Class C beds;
- **EXE** - EXE generates 12% of its NOI from private-pay retirement residences, 61% of its NOI from long-term care and 14% of its NOI from its home health care operations (which is also government-funded). EXE has approximately 3,300 Class C beds.

## Recommendation & valuation...

**We rate CSH shares as Outperform with a \$12.00 target price.** Our \$12.00 target is based on 14.9x our 2021E AFFO/u estimate, translating to a +6% premium to our NAV/u one year out, warranted given CSH's growth prospects, business risks and leverage.

**We rate SIA shares as Outperform with a \$13.00 target price.** Our \$13.00 target price is based on a -23% discount to our NAV one year out, translating to 9.3x our F2021E AFFO/u, close to the peer average based on SIA's increasingly favourable asset mix, growth prospects and leverage.

**We rate EXE shares as Sector Perform with a \$6.00 target price.** Our \$6.00 target is based on 11.1x our 2021E AFFO/sh, at the low end of peers, given EXE's business mix, growth prospects and leverage. This translates to a -12% discount to our one year out pre-tax NAV/sh.

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